2016

Annual Report 2016

Grupo Catalana Occidente

Catalana Occidente
Insurance Group

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Annual Report 2016
Grupo Catalana Occidente

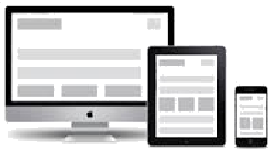
Grupo Catalana Occidente publishes its 2016 annual report, prepared in accordance with the reporting framework of the International Integrated Reporting Council (IIRC), following the principles of reliability, relevance and comparability. The report gives a comprehensive view of the environment, the 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 scope of information that appears in the report corresponds to Grupo Catalana Occidente and the companies comprising it. Business performance in recent years has been linked to corporate operations, which have been formally communicated to the market through CNMV salient event notifications.

In particular, the year 2016 integrates the entirety of the Plus Ultra Seguros business during all the year and, from October 2016, the business of Grupo Previsora Bilbaína and Graydon.

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

This report has been prepared based on the International Financial Reporting Standards (IFRS), audited by Deloitte and approved by the board of directors during its meeting on 23 February, 2017. The report is available from the Group's website, in PDF format, interactive and on the mobile app.



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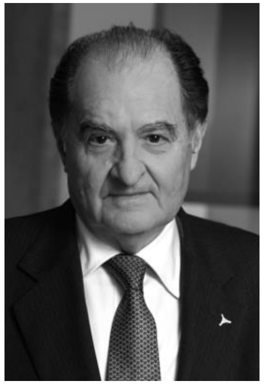
Management report

Chairman's Letter

The Group advances along the path of Profitability growth, strengthening its vocation genuinely insurance and providing social value.

01



Dear shareholders, associates and customers,

I have the pleasure of sharing the Annual report for the year 2016 with you, which is particularly important for Grupo Catalana Occidente because it consolidates the trend of continuous growth over recent years.

In this document we present our principal magnitudes and results, and focus on the aspects of strategy and corporate culture that place us in a position of market relevance, particularly in the insurance sector, where we are the sixth national operator for traditional insurance and the second global operator for credit insurance, with presence in over fifty countries.

The link of the insurance sector with the macroeconomic environment is undeniable. In this sense, the global economy improved in the last months of 2016 thanks to the recovery of advanced economies such as the United States, Europe and China, creating a trend of acceleration that is expected to continue in 2017. Together, the global economy grew by 3.1%, a lower figure than 2015, but higher than that expected at the start of the year.

In the national scope, we can be reasonably satisfied with how things went last year, given that the GDP registered growth of 3.2%. To consolidate this trend will depend, to a great extent, on our ability to achieve a political framework of stability which continues to adopt adequate measures in order to create employment, improve competitiveness and maintain the model for well-being.

In the specific case of the insurance sector, 2016 was a good year, which showed a change in trend with regards to previous years, with growth of double digits. Spanish insurance strengthened its position, thus showing its capacity to adapt, to overcome the economic cycles and to be able to offer society what it needs.

In this increasingly favourable environment, Grupo Catalana Occidente is advancing along the path of profitable growth while improving its competitive position in the principal markets. Our income reached 4,235 million euro, which is 10.7% more than in 2015. The attributed profit is 295.6 million euro, which represents an increase of 10.3% from the previous year. The consolidated result is 324.5 million euro.

Technical rigour continues to characterise our activity, with combined ratios of 92.1% in traditional business and 76.8% in credit business. With regards to capital, we reached 3,508 million euro, which represents an increase of 7.5%, obtaining a strong position in the coverage of technical provisions and solvency. It can be highlighted that the Group, and all of its entities, comply with the requirements derived from the regulations of Solvency II, enforceable since January 2016, accrediting, as always, a solid solvency ratio.

The evolution of these results is reflected in the value of our action, which has remained at levels very similar to those of 2015 and has closed at 31.1 euro. Also, the recommendations from financial analysts remain favourable, demonstrating an upward trend.

We ended a year in which, yet again, we complied with the objectives that arise from our strategic pillars: growth, profitability and solvency. Furthermore, we maintained our essence of genuine insurance, based on a system that is aimed towards the customer and vocation for service that is fundamental to us. Of course, we act under the guidance of the basic principles that must guide our activity: ethics, prudence, rigour and responsibility. I consider that with these bases, Grupo Catalana Occidental is prepared to continue growing in business volume and consolidated results during 2017, while simultaneously improving the technical result.

Beyond the financial environment, our Group continues to increase its size and, in 2016, incorporated Grupo Previsora Bilbaína, specialised in funeral insurance. This operation has allowed us to exceed 5% market share in this segment, balancing our portfolio even more and reinforcing our competitive position in the intermediary channel, which is a priority of our distribution.

Furthermore, we continue to promote initiatives designed to increase efficiency through the simplification of processes. Thus, in 2016, the common platforms for technology, claim management and customer care were consolidated, providing service to all companies in Grupo Catalana Occidente and reaching full operation. In this way, we can make the most of the synergies, favour the exchange of knowledge between professionals and standardise our standards for action, with the objective of gaining quality and efficiency for the benefit of our customers.

I would also like to mention our corporate responsibility strategy, based on the creation of sustainable social value and good governance. Its development is transversal and involves all areas of the business and Group entities in its three dimensions: economic performance, environmental management and social commitment. Sustainability is not a separate concept but is integrated in our strategy.

From there, our relationship with the various groups of interest is developed through the implementation of specific commitments based on our cultural keys that define our way of being and working with Grupo Catalana Occidente: people, commitment, austerity, long term vision, self-criticism and innovation.

For over 150 years, we have accredited our vocation for lasting over time, through the development of long term strategies that have generated stable employment and economic well-being in our surroundings. We also create value through the activities of Fundación Jesús Serra, which focuses the social action of the Group around four axes: music and poetry, research and teaching, sports and charity. In this way, we attempt to return to society part of what it has given to us. On an internal level, our Foundation is also a meeting and participation point for the employees of all of the companies, which helps, without a doubt, to consolidate a unified group.

I find it difficult to mention in this letter all of the aspects of interest that you may find in this Report, therefore I encourage you to read it carefully and thoroughly.

Before finishing, I would like to dedicate a moment to our colleague, and friend to many, Josep Vilá, CEO of Plus Ultra Seguros, who left us in a painful and premature manner in 2016. His deep humanity and professionalism will remain alive in those of us who knew him.

Finally, I would like to thank that efforts made by our employees and associates during this year, the support of our shareholders and the trust deposited in us by our customers. Together, we have achieved excellent results, so I hope you will accept my invitation to continue forming part of our history.

José María Serra
Chairman of Grupo Catalana Occidente

Annual panorama

Objectives reached

Increases significantly the volume of business, the results and the solidity Patrimonial.

02

Grupo Catalana Occidente

After over 150 years of history, Grupo Catalana Occidente maintains its genuine insurance essence with the strategic intention of "being leaders in risk protection and long-term welfare in the family market and small and medium enterprise market, and to be international leaders in commercial risk coverage.

Strategic pillars

- Growth
- Profitability
- Solvency

4.000.000 millions
customers

20,000
intermediaries

6,800
employees

6º
Higher insurance group in Spain

50 Countries

1.600 Offices

2º
Higher credit insurance group in the world

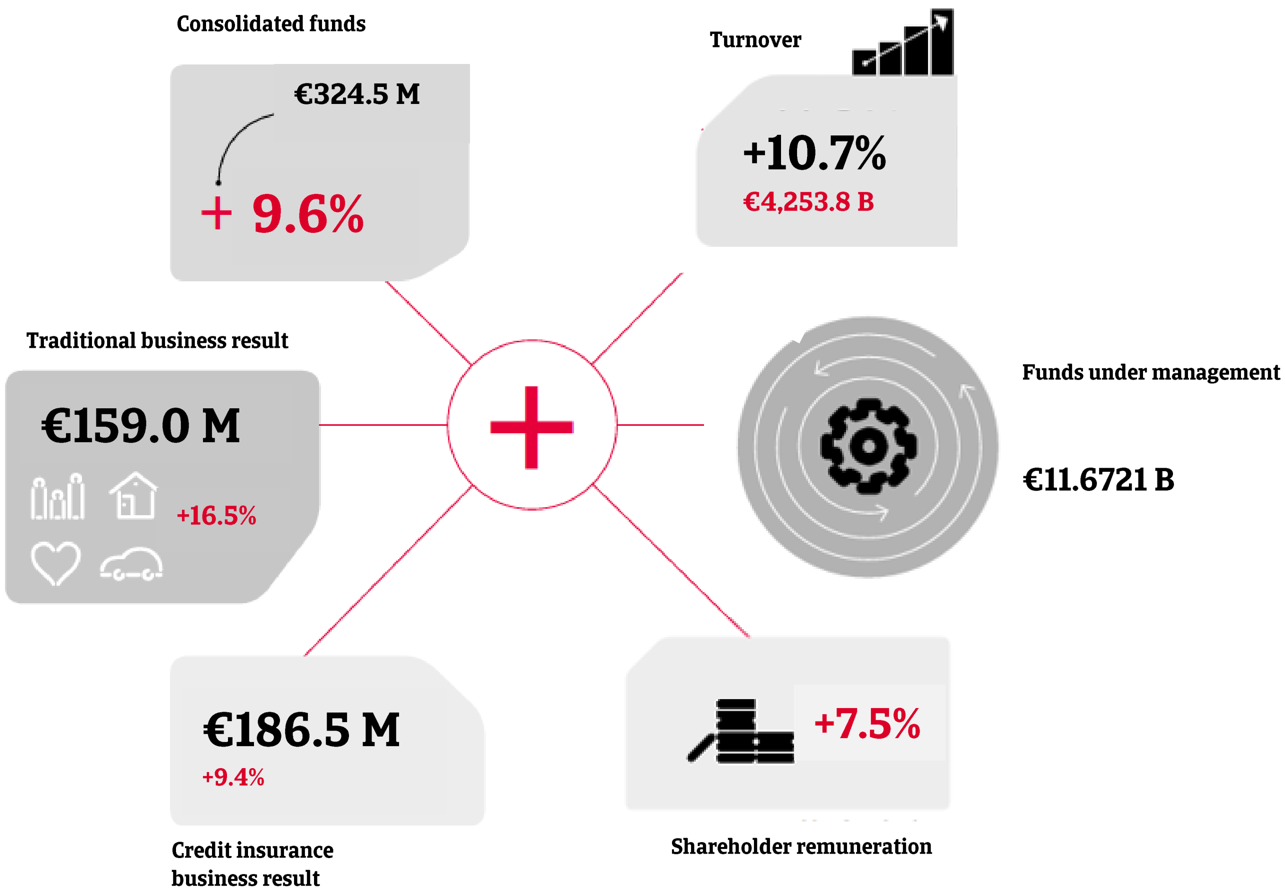
Relevant events 2016

- Corporate simplification for credit insurance
- Acquisition of Previsora Bilbaína
- Atradius acquires all shares in Graydon

Key Financial figures

Grupo Catalana Occidente ended the 2016 financial year with favourable performance of its main figures, improving results, revenue and capital.

- **Increase of 9.6% of consolidated result, reaching €324.5 million.**
- **Improvement of recurring results:**
  - Traditional business, at €159.0 million, +16.5%.
  - Credit insurance business, at €186.5 million, +9.4%.
- **Turnover grew by 10.7 of turnover to reach €4,235.8 million.**
- **Excellent combined ratio:**
  - 92.1% in traditional business (non-life).
  - 76.8% in the credit insurance business.
- **Acquisition of Grupo Previsora Bilbaína, specialised in funeral insurance.**
- **Strengthening financial soundness with permanent resources at market value reaching €3,508.5 million.**
- **Increase of 7.5% in shareholder remuneration.**



(figures in million of euros)

	Key figures	2012	2013	2014	2015	2016	% Chg. 15-16
A	**Turnover**	**3,177.5**	**3,201.8**	**3,437.6**	**3,826.1**	**4,235.8**	**10.7%**
	- Traditional business	1,612.5	1,686.9	1,825.7	2,150.8	2,547.3	18.4%
	- Credit insurance business	1,565.0	1,515.0	1,611.9	1,675.3	1,688.5	0.8%
B	**Consolidated result**	**222.8**	**243.9**	**268.1**	**296.1**	**324.5**	**9.6%**
	- Traditional business*	117.8	122.6	123.9	136.5	159.0	16.5%
	- Credit insurance business	104.5	126.1	152.3	170.4	186.5	9.4%
	- Non-Recurring**	0.5	-4.9	-8.1	-10.8	-21.0	
	Attributable to the parent company	**200.2**	**221.1**	**242.1**	**268.1**	**295.6**	**10.3%**
C	Long-term capital	1,795.3	2,100.3	2,685.7	2,797.7	3,039.6	8.6%
	Long term capital at market value	**2,343.0**	**2,607.3**	**3,168.2**	**3,262.5**	**3,508.5**	**7.5%**
D	**Technical provisions**	**6,844.3**	**6,905.5**	**7,235.0**	**9,074.3**	**9,351.0**	**3.0%**
E	**Funds under management**	**7,818.2**	**8,381.9**	**9,480.8**	**11,055.8**	**11,672.1**	**5.6%**
F	**Data per share (figures in euro)**						
	Attributed result	1.7	1.8	2.0	2.2	2.5	10.3%
	Dividend per share	0.57	0.59	0.63	0.67	0.72	7.5%
	Profitability per dividend	4.8%	3.0%	2.4%	2.4%	2.7%	
	Pay-out	34.2%	32.0%	31.2%	30.1%	29.4%	
	Share price	13.8	26.0	24.0	32.0	31.1	
	Share revaluation	12.2%	89.0%	-7.8%	33.5%	-2.8%	
	PER	8.3	14.1	11.9	14.4	12.6	
	ROE	14.0%	12.8%	11.2%	11.7%	11.7%	
G	**Non-financial data**						
	Number of employees	5,636	5,573	5,570	6,486	6,817	5.1%
	% permanent contracts					96.8%	
	% Men over total employees					51.8%	
	Number of offices	1,186	1,153	1,173	1,387	1,638	18.1%
	Number of intermediaries	18,833	18,671	19,779	17,744	18,910	6.6%
	Satisfaction level***					83.7%	
	Level of promotion suggested (LPS)***					34.8%	
	Retention level***					92.1%	

* From June 2012 until June 2015, 49% of the net result of Plus Ultra Seguros is included as part of the financial result of the traditional business. From July 2015, after the acquisition of the remaining 51%, 100% of Plus Ultra Seguros has been incorporated using the global integration method. From October, the Grupo Previsora Bilbaína business is included.

** In 2016, items have been reclassified between recurring and non-recurring. In order to be able to compare years, a proforma of previous years is offered.

***These only refer to the entities of the traditional business

Grupo Catalana Occidente in 2016

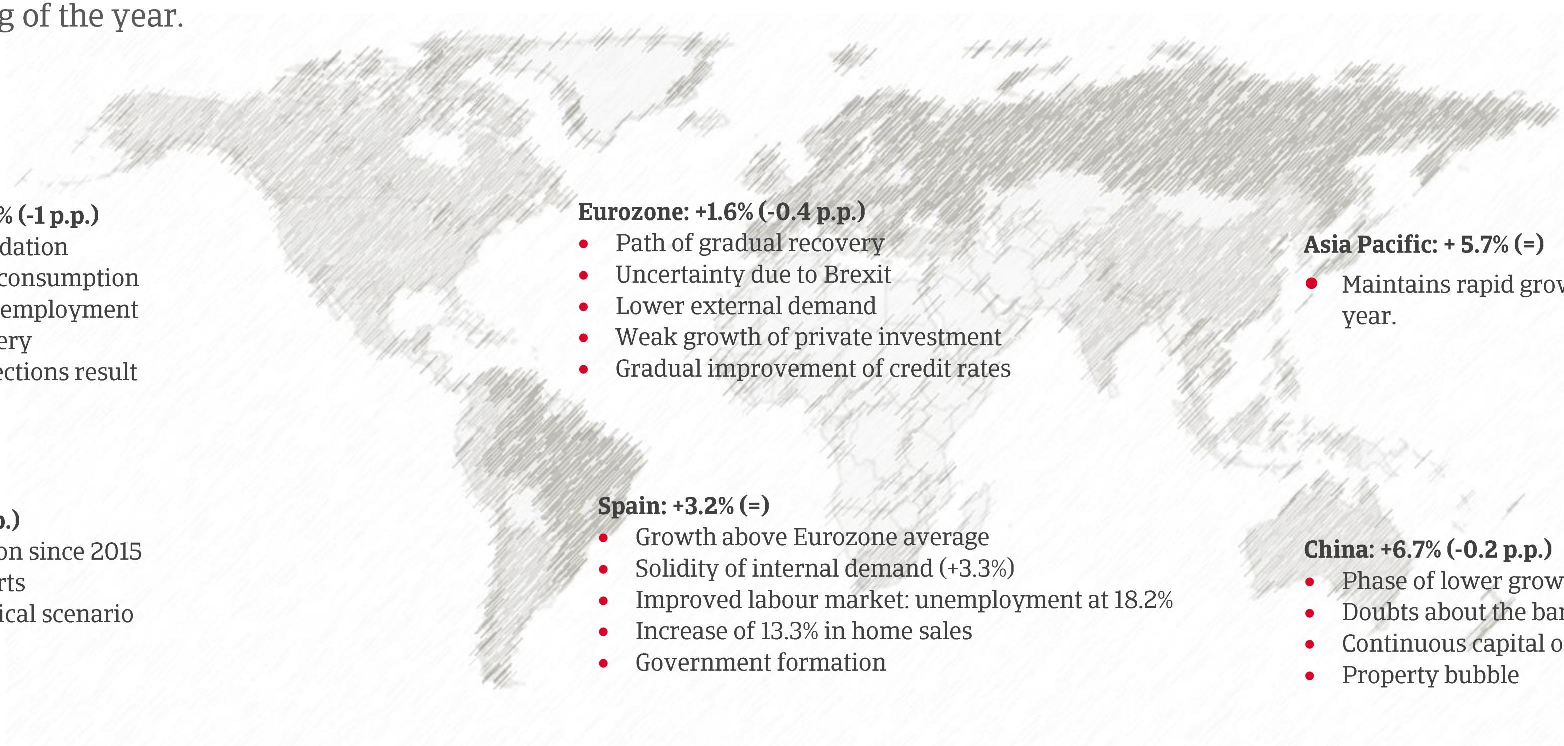
A year of growth and consolidation

The group consolidates the sixth position in the Spanish market and the second in the world credit insurance.

03

Macroeconomic environment

The global economy grew by 3.1% higher than expected at the beginning of the year.



United States: +1.6% (-1 p.p.)
- Growth consolidation
- Strong private consumption
- Practically full employment
- Inflation recovery
- Presidential elections result

Eurozone: +1.6% (-0.4 p.p.)
- Path of gradual recovery
- Uncertainty due to Brexit
- Lower external demand
- Weak growth of private investment
- Gradual improvement of credit rates

Asia Pacific: + 5.7% (=)
- Maintains rapid growth during this year.

Brazil: -3.3% (+0.5 p.p.)
- Economic recession since 2015
- Recovery of exports
- Complicated political scenario

Spain: +3.2% (=)
- Growth above Eurozone average
- Solidity of internal demand (+3.3%)
- Improved labour market: unemployment at 18.2%
- Increase of 13.3% in home sales
- Government formation

China: +6.7% (-0.2 p.p.)
- Phase of lower growth
- Doubts about the banking sector
- Continuous capital outflow
- Property bubble

Fixed Income

Interest rates at historic minimums
Expansive monetary policies in Europe, Japan and USA.
Belief that the Fed will increase interest rates

Interest rates	1 year	3 years	5 years	10 years
Spain	-0.2	0.0	0.3	1.6
Germany	-0.6	-0.6	-0.5	0.3
U.S.	0.8	1.5	2.0	2.5

Variable Income

Strong volatility and uneven behaviour between markets

	End 2016	%Chg.
Ibex35	9,352.1	-2.0%
EuroStoxx Insurance	269.7	-5.6%
Eurostoxx50	3,290.5	0.7%
DowJones	19,762.6	13.4%

Raw materials/currencies

Strong growth in the price of oil (minimum in January of 30 dollars per barrel)
Strong depreciation of the pound due to Brexit

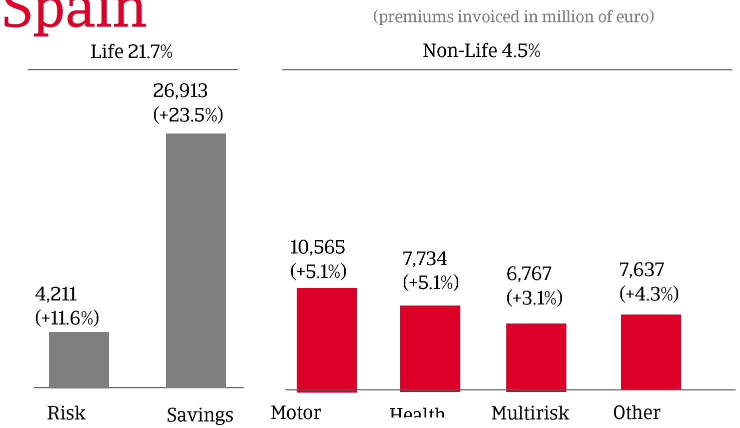
	End 2016	%Var
Oil ($/barrel)	56.8	52.4%
Gold	1,150.0	8.5%
€/$	1.05	-3.2%
€/£	0.85	15.7%

Source Bloomberg. Date 31/12/2016

Insurance industry in Spain

Growth turnover of 12.2%

The insurance industry in Spain presents favourable evolution, growing at a rate of 12.2%, boosted by life saving products.



Profit stability

ROE
10%
+1 p.p

Source Icea. Date 30/06/2016

Combined ratio
94.7%

Source Icea. Date 31/12/2015

Motor	100.7%
Multi-risk	89.4%
Health	94.4%

Movement on the ranking due to bancassurance agreements.

Group	*Diff 15/16*	Market share
VidaCaixa	=	14.9%
Mapfre	=	10.5%
Zurich	↑1	8.7%
Grupo Mutua Madrileña	↓1	7.4%
Allianz	=	5.6%
Grupo Catalana Occidente	=	4.6%
Grupo Axa	=	4.0%
Generali	=	3.9%
BBVA Seguros	=	3.0%
Grupo Caser	↑1	2.3%

Source Icea. Date 31/12/2016

Credit insurance

Deceleration of growth in international commerce

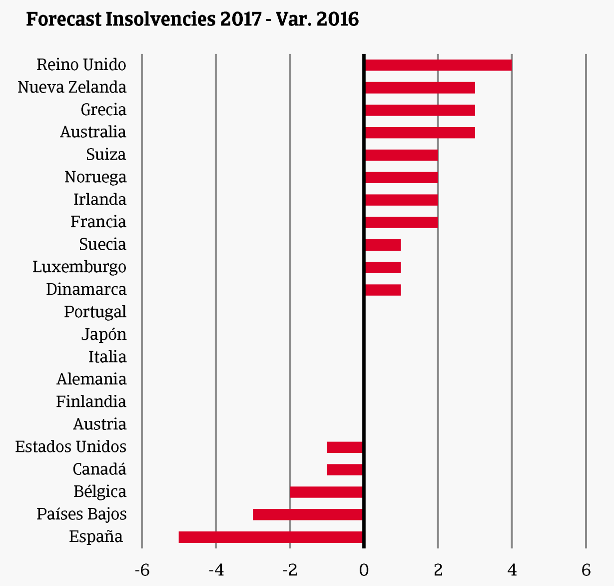
Forecasts establish a growth rate for international commerce of just 0.4% for 2016.

- The prolonged decrease in global consumption, together with weak demand, demonstrates low levels of global growth.
- A change in the composition of growth is observed among countries, with internal consumption increasing and the significance of the external sector decreasing.

Insolvency at stable levels

Forecasts slightly worsened throughout 2016.

- In Spain the trend improved, although still with high levels of insolvency.



Source: Atradius

Group Evolution in 2016

Grupo Catalana Occidente has increased both income and attributed result by over 10%

(figures in million of euros)

Income statement	2012	2013	2014	2015	2016	% chg. 15 -16
Premiums	3,070.1	3,091.4	3,322.2	3,704.6	4,108.4	10.9%
Earned premiums	3,076.1	3,121.4	3,289.6	3,703.9	4,085.3	10.3%
Income from information	107.5	110.4	115.3	121.5	127.4	4.9%
Net income from insurance	**3,183.5**	**3,231.8**	**3,404.8**	**3,825.4**	**4,212.7**	**10.1%**
Technical cost	1,951.8	1,991.8	2,088.9	2,339.1	2,575.4	10.1%
% of total net income	*61.3%*	*61.6%*	*61.4%*	*61.1%*	*61.1%*	
Commissions	373.7	365.1	372.9	442.1	508.3	15.0%
% of total net income	*11.7%*	*11.3%*	*11.0%*	*11.6%*	*12.1%*	
Expenses	597.7	608.5	628.4	698.8	744.8	6.6%
% of total net income	*18.8%*	*18.8%*	*18.5%*	*18.3%*	*17.7%*	
Technical result after expenses	**260.4**	**266.5**	**314.5**	**345.4**	**384.2**	**11.2%**
% of total net income	*8.2%*	*8.2%*	*9.2%*	*9.0%*	*9.1%*	
Financial result	48.0	73.0	73.9	84.8	62.3	-26.5%
% of total net income	*1.5%*	*2.3%*	*2.2%*	*2.2%*	*1.5%*	
Result of non-technical non-financial account	-16.8	-22.4	-10.7	-22.8	-22.2	
% of total net income	*-0.5%*	*-0.7%*	*-0.3%*	*-0.6%*	*-0.5%*	
Result from complementary credit insurance activities	6.6	4.9	4.1	8.0	8.6	7.5%
% of total net income	*0.2%*	*0.2%*	*0.1%*	*0.2%*	*0.2%*	
Result before tax	**298.2**	**322.0**	**381.8**	**415.4**	**432.8**	**4.2%**
% of total net income	*9.4%*	*10.0%*	*11.2%*	*10.9%*	*10.3%*	
Consolidated result	**222.8**	**243.9**	**268.1**	**296.1**	**324.5**	**9.6%**
Result attributable to minorities	22.6	22.8	26.0	28.0	28.9	3.2%
Attributed result	**200.2**	**221.1**	**242.1**	**268.1**	**295.6**	**10.3%**
% over total net revenues	*6.3%*	*6.8%*	*7.1%*	*7.0%*	*7.0%*	

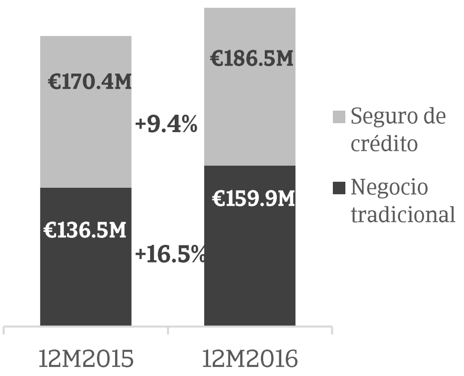
* From June 2012 until June 2015, 49% of the net result of Plus Ultra Seguros is included as part of the financial result of the traditional business. From July 2015, after the acquisition of the remaining 51%, 100% of Plus Ultra Seguros has been incorporated using the global integration method. From October, the Grupo Previsora Bilbaína business is included.

Increase of 10.3% of attributed result

The attributed result has grown by 10.3%, reaching 295.6 million euro.

The combined ratio of the Group is positioned at an excellent level, with:

- 92.1% in traditional business (non-life).
- 76.8% in the credit insurance business.



Improved profitability in the main business lines

(figures in million of euros)

Results by areas of activity	2012	2013	2014	2015	2016	chg. 15-16
Recurring results traditional business*	117.8	122.6	123.9	136.5	159.0	16.5%
Recurring results from credit insurance business	104.5	126.1	152.3	170.4	186.5	9.4%
Non-Recurring Result**	0.5	-4.9	-8.1	-10.8	-21.0	
Consolidated result	222.8	243.9	268.1	296.1	324.5	9.6%
Result attributable to minorities	22.6	22.8	26.0	28.0	28.9	3.2%
Attributed result	200.2	221.1	242.1	268.1	295.6	10.3%

* From June 2012 until June 2015, 49% of the net result of Plus Ultra Seguros is included as part of the financial result of the traditional business. From July 2015, after the acquisition of the remaining 51%, 100% of Plus Ultra Seguros has been incorporated using the global integration method and, from October, the business of Grupo Previsora Bilbaína has been incorporated.

** In 2016, items have been reclassified between recurring and non-recurring concepts. In order to be able to compare years a proforma of previous years is offered.

Increase of 7.5% in capital

Permanent resources increased by 8.6%, to €3,039.6 million. Adding the capital gains not included in the balance sheet (from properties), the permanent resources at market value stand at €3,508.5 million, up 7.5% from 2015.

During the year 2016, the A.M. Best rating agency improved the rating from "A-" to "A" with a stable perspective for the traditional business companies and confirmed the stable "A" rating for credit insurance companies, while Moody's revised the rating of credit insurance entities and maintained one of A3 with stable perspective.

Solid Solvency II ratio

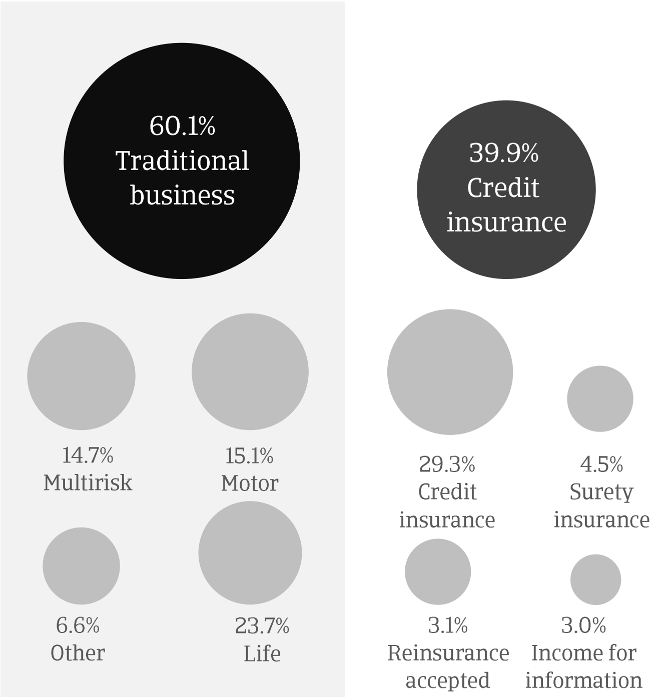
From January 1, 2016, the capital is quantified using the standard formula established in the solvency II regulation. Thus, the Group's solvency ratio and that of each of its entities is the result of comparing the equity of the entity at market value (economic capital) to the mandatory solvency capital requirement (SCR).

Grupo Catalana Occidente and all of its entities reflect a solid solvency ratio.

Solvency II regulations allows insurance entities to calculate their capital requirements using their own internally developed models. For this reason, the Group manages the credit and surety business through an internal model, which has been presented to the College of Supervisors for approval.

Business diversification

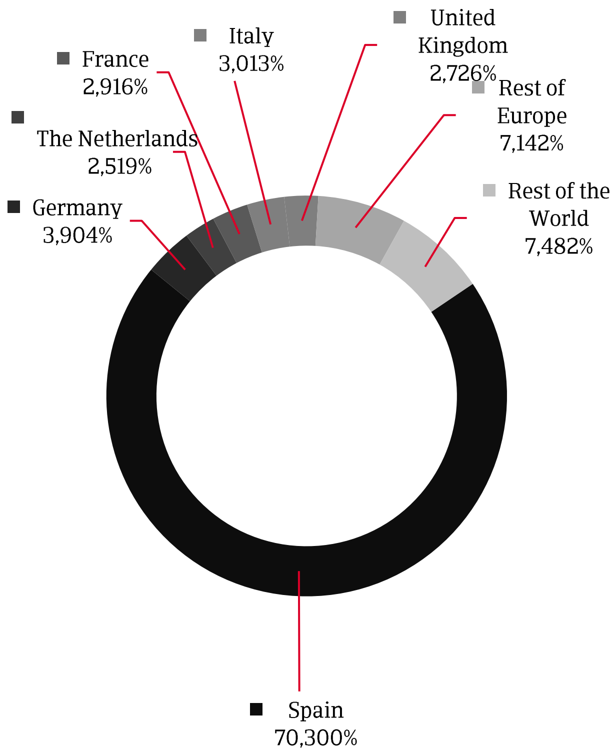
Grupo Catalana Occidente has a balanced and diversified portfolio.



Global presence

Grupo Catalana Occidente has a significant presence in Spain. The Group is present in over 50 countries

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



Grupo Catalana Occidente obtains 70.3% of its income from the domestic market, where it holds the sixth position, through the brands Seguros Catalana Occidente, Plus Ultra Seguros, Seguros Bilbao, NorteHispana Seguros, Grupo Previsora Bilbaína and Crédito y Caución.

In the credit insurance business, through the brands Atradius and Atradius Re, the Group is present in 50 countries and holds the second position on a global scale.

Shareholder remuneration

In 2016, the Group increased dividends by 7.5%

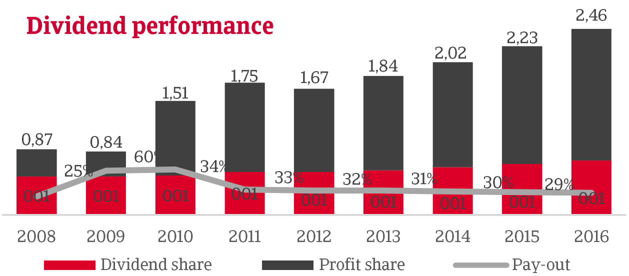
Dividends

The Group has made 3 dividend payments in cash for a total amount of €0.4113 per share. These payments were made on July 13, 2016, October 13, 2016 and February 15, 2017. Also, the Board of Directors agreed, in the meeting held on February 23, 2017, to propose to the general shareholders meeting an increase of 7.5% for the complementary dividend that will be paid on May 10, 2017. With this, a total of €0.7232 per share (€86.8 million) would be allocated.

This dividend amounts to a pay-out of 29.4% on the 2016 attributable profit and a dividend yield of 2.72% in 2016.

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

Dividend performance



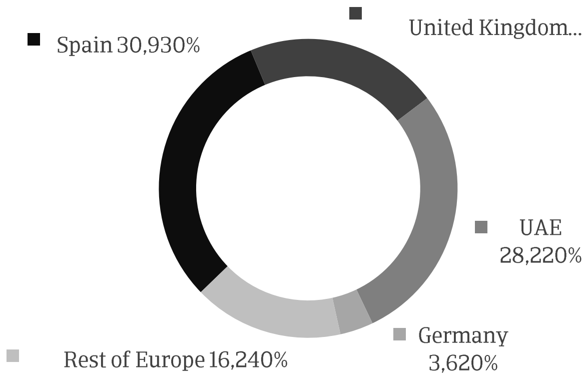
Shareholding structure

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

The group has 2,039,537 treasury shares, representing 1.7% of own shares, through Salerno 94.

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

The following graph shows the geographical distribution of institutional investors.



Relationship with the financial market

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

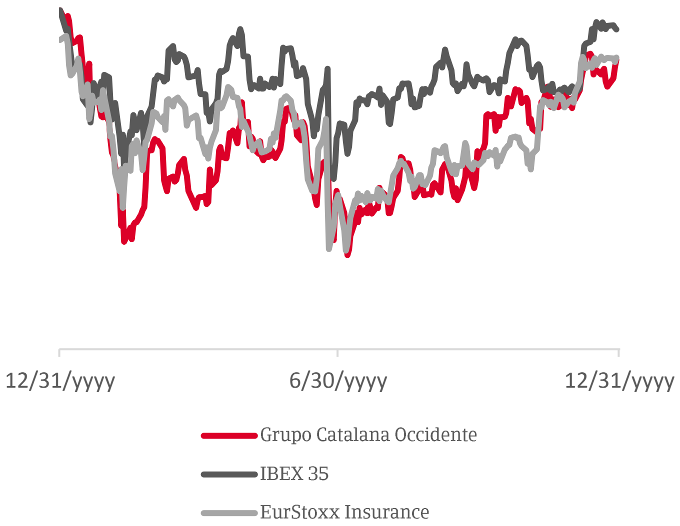
Analysts and investors
+34 935 820 518
analistas@catalanaoccidente.com
Shareholder services
+34 935 820 667
accionistas@catalanaoccidente.com

During 2016, the Group transmitted its value proposition to the financial markets (available on the website) through the quarterly retransmission of the results published (on the website, in English and Spanish) and by holding 13 roadshows in different European countries, as well as 3 forums/conferences. In total, there were 165 meetings with investors and over 500 calls from shareholders, analysts and investors.

Share performance

Grupo Catalana Occidente shares are listed on two Spanish stock exchanges, Barcelona and Madrid, being listed on the continuous market. Likewise, its stock is also included in the IBEX MEDIUM CAP index, with a weight of 7.54%.

During the year 2016, the shares of Grupo Catalana Occidente have performed better than Eurostoxx Insurance.



PRICE (euros per share)	2012	2013	2014	2015	2016
Minimum	9.21	13.77	21.50	23.32	22.77
Maximum	14.50	26.64	31.34	32.33	31.80
Period end	13.77	26.02	23.99	32.02	31.11

OTHER DATA (in euros)	2012	2013	2014	2015	2016
Number 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
Average daily subscription (number of shares)	142,608	176,921	144,278	72,331	84,550
Average daily subscription (euros)	1,685,430	3,478,053	3,832,467	2,019,052	2,237,519

Profitability	2002	2004	2006	2008	2010	2012	2015	2016	TACC 02-16
GCO (%)	-7.21	78.5	86.48	-36.67	-18.01	12.22	33,5	-2.84	16.5%
IBEX 35 (%)	-28.11	17.37	31.79	-39.43	-17.43	-4.66	-7,15	-2.00	3.2%
EUROSTOXX Insurance (%)	-51.23	7.89	17.18	-46.58	2.07	32.92	14,12	-5.60	4.2%

Outlook and challenges for 2017

To improve customer service through updating the product portfolio, updating processes and improving in the supply of services

Grupo Catalana Occidente faces 2017 with strategic challenges, resulting from the economic and geopolitical situation, and the rapid transformation being experienced by the market.

The economic forecasts improve, placing the growth of the GDP of the global economy at 3.1% to 3.4%, with increasingly strong consumption and a labour market that is building good rhythm.

Advanced economies will grow by 1.9% (0.3 p.p. more than in 2016), boosted by the United States while emerging economies will grow by 4.5% (0.4 p.p. more than in 2016). The forecast for Spain is that GDP growth will be at 3.3%, and it will be the country with highest growth in Europe.

Despite this, 2017 also presents geopolitical risks with elections in Holland, France and Germany, with the uncertainty of the exit model for the United Kingdom from the European Union and the first decisions of the United States government, as well as the growing threat of Islamic terrorism.

In 2017, the group intends to continue to grow in a balanced, profitable and solid way in the medium and long term.

To this end, projects are carried out to:

- offer products adapted to the new needs of customers
- improve digital tools available to clients and mediators to facilitate their efforts
- simplify and optimize processes to improve customer experience and reduce operating costs
- encourage the digitization of employees, employees and mediators

All this, measuring the customer experience at all points of contact, seeking continuous improvement

Guidelines GCO 2017

- Promote the development of the distribution network.
- Focus the company on growth.
- Maintain the differential for technical expenses and margins with the market.
- Improve the efficiency ratio.
- Generate common knowledge and values.
- Understand and adapt to social change.

Results in 2016

Improving results

The Group grows in all its business lines, obtaining a stable and recurring profit, at the same time that it reinforces its capital and solvency

04

Traditional business

Traditional business has witnessed a very positive evolution, with a growth of 18.4% in turnover and 16.5% in results.

The data for the year 2016 includes the entirety of the Plus Ultra Seguros business, whereas the year 2015 only includes it from July. From October 2016, the Previsora Bilbaína business is included.

The turnover of traditional business at the end of the year witnessed an increase of 18.4%, supported by both an increase in the number of customers and the average premium.

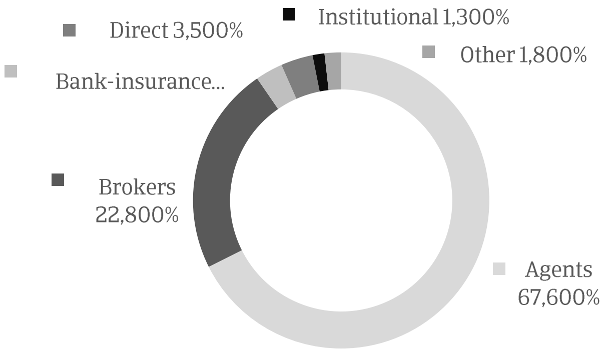
The technical result of 150.7 million euro improves 0.2 p.p. for income, including the stable contribution of the Seguros Catalana Occidente, Seguros Bilbao and NorteHispana business as well as the progressive improvement of the Plus Ultra Seguros business. Recurring profit after tax increased 16.5% to €159.0 million.

(figures in million of euros)

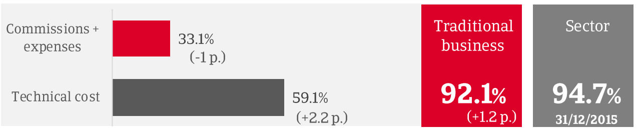
Traditional business *	2012	2013	2014	2015	2016	% chg. 15-16
Written premiums	**1,612.5**	**1,686.9**	**1,825.7**	**2,150.8**	**2,547.3**	**18.4%**
Life insurance premiums, ex. single	1,316.6	1,260.7	1,261.0	1,615.4	2,070.7	28.2%
Earned premiums	1,637.7	1,709.6	1,832.0	2,167.1	2,527.7	16.6%
Technical result after expenses	**139.7**	**128.2**	**117.5**	**126.3**	**150.7**	**19.3%**
% of earned premiums	*8.5%*	*7.5%*	*6.4%*	*5.8%*	*6.0%*	
Financial result	**31.7**	**45.0**	**54.5**	**70.1**	**71.5**	**2.0%**
% of earned premiums	*1.9%*	*2.6%*	*3.0%*	*3.2%*	*2.8%*	
Non-technical non-financial result	-12.9	-8.3	-8.2	-11.5	-12.4	
Company income tax	-40.7	-42.3	-39.9	-48.4	-50.7	
Recurring result	**117.8**	**122.6**	**123.9**	**136.5**	**159.0**	**16.5%**
Non-recurring result	**-11.2**	**-6.0**	**-1.9**	**5.2**	**5.1**	
Total result	**106.6**	**116.6**	**122.0**	**141.7**	**164.1**	**15.8%**

* From June 2012 until June 2015, 49% of the net result of Plus Ultra Seguros is included as part of the financial result of the traditional business. From July 2015, after the acquisition of the remaining 51%, 100% of Plus Ultra Seguros has been incorporated using the global integration method and, from October, the business of Grupo Previsora Bilbaína has been incorporated. In 2016, funeral and health was reclassified, moving from other to the life business. In order to be able to compare years, a proforma of previous years is offered.

Distribution channels



Combined ratio traditional business



Multirisk

The result improved, supported by the continuous adaptation of the products to the needs of our customers and the excellent evolution of claims.

(figures in million of euros)

Multirisk	2012	2013	2014	2015	2016	% Chg. 15-16
Written premiums	**420.6**	**410.2**	**407.0**	**508.6**	**624.1**	**22.7%**
Earned premiums	**423.2**	**414.6**	**410.0**	**517.3**	**623.4**	**20.5%**
Number of claims	393,121	417,407	422,870	613,030	615,260	0.4%
Average cost of the claims, in €	568.9	514.0	500.3	457.9	533.6	16.5%
Technical provisions	**331.9**	**329.5**	**331.1**	**540.1**	**540.8**	**0.1%**
% Technical cost	*52.9%*	*51.7%*	*51.6%*	*54.3%*	*52.7%*	*-1.6*
% commissions	*19.5%*	*19.2%*	*19.3%*	*20.2%*	*20.5%*	*0.3*
% expenses	*15.6%*	*16.5%*	*16.6%*	*16.8%*	*16.7%*	*-0.1*
% combined ratio	**87.9%**	**87.4%**	**87.5%**	**91.2%**	**89.8%**	**-1.4**
Technical result after expenses	**51.2**	**52.1**	**50.7**	**45.6**	**63.4**	**39.0%**
% of earned premiums	*12.1%*	*12.6%*	*12.4%*	*8.8%*	*10.2%*	
Financial result	**6.5**	**7.1**	**6.2**	**10.4**	**14.8**	**42.3%**
% of earned premiums	*1.5%*	*1.7%*	*1.5%*	*2.0%*	*2.4%*	
Technical-financial result	**57.7**	**59.2**	**56.9**	**56.0**	**78.2**	**39.6%**
% of earned premiums	*13.6%*	*14.3%*	*13.9%*	*10.8%*	*12.5%*	

Auto

Positive evolution of turnover, with a significant improvement in customer loyalty.

(figures in million of euros)

Auto	2012	2013	2014	2015	2016	% chg. 15-16
Written premiums	**357.7**	**326.9**	**322.0**	**458.0**	**639.0**	**39.5%**
Earned premiums	**373.9**	**339.7**	**325.0**	**456.2**	**622.5**	**36.5%**
Number of claims	213,750	198,567	189,655	523,648	561,605	7.2%
Average cost of the claims, in €	1,078.0	1,054.3	1,043.6	820.6	890.5	8.5%
Technical provisions	**402.8**	**399.1**	**402.8**	**722.3**	**836.6**	**15.8%**
% Technical cost	*63.5%*	*61.6%*	*60.9%*	*63.4%*	*69.0%*	*5.6*
% commissions	*11.9%*	*11.9%*	*11.8%*	*11.3%*	*11.2%*	*-0.1*
% expenses	*18.0%*	*19.3%*	*20.1%*	*17.7%*	*16.2%*	*-1.5*
% combined ratio	**93.4%**	**92.8%**	**92.8%**	**92.4%**	**96.4%**	**4.0**
Technical result after expenses	**24.5**	**24.2**	**23.7**	**34.6**	**23.3**	**-32.7%**
% of earned premiums	*6.6%*	*7.1%*	*7.3%*	*7.6%*	*3.7%*	
Financial result	**9.9**	**10.2**	**9.0**	**15.1**	**20.5**	**35.8%**
% of earned premiums	*2.6%*	*3.0%*	*2.8%*	*3.3%*	*3.3%*	
Technical-financial result	**34.4**	**34.4**	**32.7**	**49.8**	**43.7**	**-12.2%**
% of earned premiums	*9.2%*	*10.1%*	*10.1%*	*10.9%*	*7.0%*	

Other

Improved results and turnover boosted by the areas of individual customers.

(figures in million of euros)

Other*	2012	2013	2014	2015	2016	% chg. 15 -16
Written premiums	**151.1**	**140.1**	**137.3**	**196.3**	**280.5**	**42.9%**
Earned premiums	**157.7**	**145.6**	**139.3**	**204.5**	**279.3**	**36.6%**
Number of claims	51,800	50,346	46,590	89,528	86,393	-3.5%
Average cost of the claims, in €	1,342.9	1,287.9	1,266.8	1,118.7	1,656.8	48.1%
Technical provisions	**305.2**	**291.1**	**285.1**	**477.7**	**403.8**	**-15.5%**
% Technical cost	*44.1%*	*44.5%*	*42.4%*	*49.0%*	*51.2%*	*2.2*
% commissions	*21.9%*	*21.8%*	*21.5%*	*21.3%*	*21.2%*	*-0.1*
% expenses	*16.7%*	*16.8%*	*18.4%*	*17.0%*	*15.7%*	*-1.3*
% combined ratio	**82.7%**	**83.1%**	**82.4%**	**87.3%**	**88.1%**	**0.8**
Technical result after expenses	**27.3**	**24.7**	**24.6**	**26.0**	**33.1**	**27.3%**
% of earned premiums	*17.3%*	*17.0%*	*17.7%*	*12.7%*	*11.9%*	
Financial result	**5.9**	**6.0**	**5.2**	**8.1**	**9.4**	**16.0%**
% of earned premiums	*3.7%*	*4.1%*	*3.7%*	*4.0%*	*3.4%*	
Technical-financial result	**33.2**	**30.6**	**29.8**	**34.1**	**42.5**	**24.6%**
% of earned premiums	*21.1%*	*21.0%*	*21.4%*	*16.7%*	*15.2%*	

Life

The result increased, supported by good claim performance and a stable financial result.

(figures in million of euros)

Life*	2012	2013	2014	2015	2016	% chg. 15-16
Life insurance turnover	**683.1**	**809.7**	**959.3**	**987.9**	**1,003.7**	**1.6%**
Health	17.1	17.7	20.3	36.0	53.6	48.9%
Funeral	65.5	70.7	74.3	78.3	92.2	17.8%
Periodic premiums	307.6	295.1	300.0	338.2	381.3	12.7%
Single premiums	292.9	426.2	564.7	535.4	476.6	-11.0%
Contributions to pension plans contributions	37.5	47.3	48.3	54.8	48.9	-10.8%
Net contributions to investment funds	-5.2	-5.6	9.6	8.5	-0.4	
Volume of funds under management	**3,970.3**	**4,278.8**	**4,208.0**	**5,230.3**	**5,538.5**	**5.9%**
Earned premiums	**682.9**	**809.7**	**957.6**	**989.1**	**1,002.4**	**1.3%**
Technical result after expenses	**36.7**	**27.2**	**18.5**	**20.1**	**30.9**	**53.7%**
% of earned premiums	*5.4%*	*3.4%*	*1.9%*	*2.0%*	*3.1%*	
Financial result	**22.9**	**28.6**	**37.3**	**30.3**	**32.0**	**5.6%**
% of earned premiums	*3.4%*	*3.5%*	*3.9%*	*3.1%*	*3.2%*	
Technical-financial result	**59.6**	**55.8**	**55.7**	**50.4**	**62.9**	**24.8%**
% of earned premiums	*8.7%*	*6.9%*	*5.8%*	*5.1%*	*6.3%*	

* In 2016, funeral and health was reclassified, moving from other to the life business. In order to be able to compare years, a proforma of previous years is offered.

Plus Ultra Seguros

Growth of turnover supported by the brokers channel

Plus Ultra Seguros grew by 4.4% in invoiced premiums after some years of decreasing. Premiums, at the end of the year 2016, stand at at 761.2 million euro.

We can highlight the favourable behaviour of the motor business, where the premiums increased by 4.3% in 2016, which consolidates three consecutive years. The life business has been the main growth booster, with 159.4 million euro.

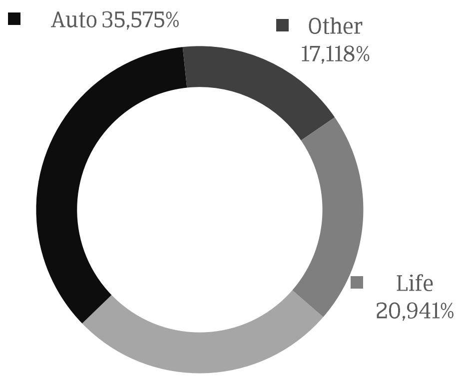
We must highlight the favourable behaviour of the agents and brokers channels, which have been able to counteract the negative effect of the bank insurance channel (representing 9,6% of premiums insured) which is still reducing at a rate of 5% p.a.

(figures in million of euros)

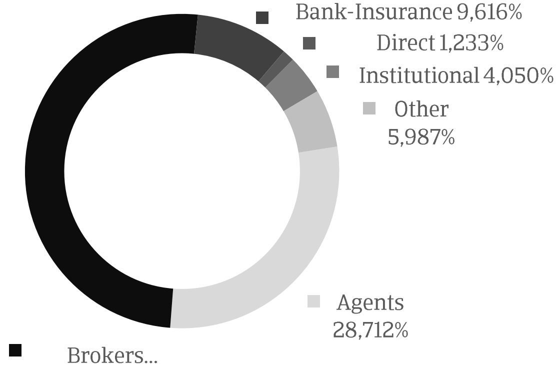
Plus Ultra Seguros	2012	2013	2014	2015	2016	% Chg. 15-16
Multirisk	*261.0*	*240.0*	*222.0*	*208.9*	*200.8*	*-3.9%*
Auto	*299.9*	*265.7*	*250.1*	*259.6*	*270.8*	*4.3%*
Other non-life	*126.8*	*118.9*	*121.9*	*118.5*	*130.3*	*10.0%*
Non-life	687.7	624.6	594.0	587.0	601.8	2.5%
Health	43.1	38.3	33.6	31.7	29.8	-5.8%
Funeral	0.0	0.0	0.2	0.4	0.5	39.8%
Periodic	73.6	100.2	64.9	61.6	63.9	3.8%
Single	42.8	81.1	88.4	48.5	65.1	34.2%
Life	159.5	219.5	187.1	142.1	159.4	12.2%
Written premiums	**847.2**	**844.1**	**781.1**	**729.1**	**761.2**	**4.4%**
Written premiums ex. single	**804.4**	**763.0**	**692.7**	**680.6**	**696.1**	**2.3%**
Earned premiums	**872.8**	**883.0**	**805.2**	**732.9**	**762.7**	**4.1%**
Technical result after expenses	**-9.5**	**11.6**	**22.2**	**1.6**	**20.5**	
% of earned premiums	*-1.1%*	*1.3%*	*2.8%*	*0.2%*	*2.7%*	
Financial result	41.7	33.8	31.0	30.1	30.5	*1.3%*
% of earned premiums	*4.8%*	*3.8%*	*3.8%*	*4.1%*	*4.0%*	
Technical financial result	**32.2**	**45.4**	**53.2**	**31.7**	**51.0**	**60.9%**
% of Earned premiums	*3.7%*	*5.1%*	*6.6%*	*4.3%*	*6.7%*	

* In 2016, funeral and health was reclassified, moving from other to the life business. In order to be able to compare years, a proforma of 2015 is offered.

Business diversification



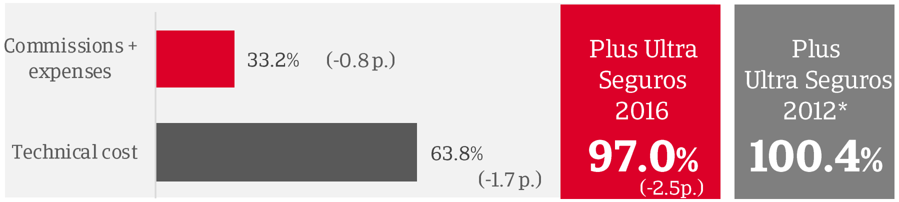
Distribution channels



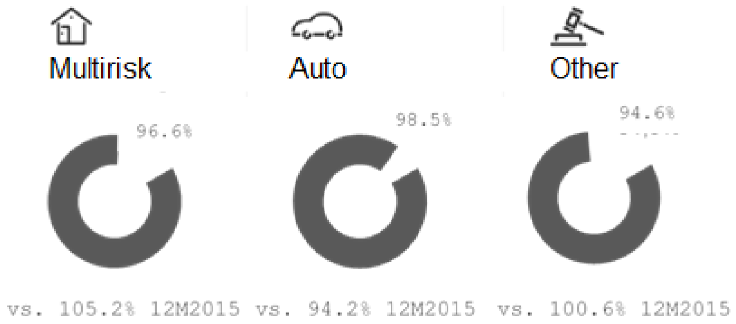
In terms of the technical result, during the year a favourable trend has been maintained, improving the margin 1.5 p.p. for earned premiums. This has led to an increase of €18.9 million with regards to the previous year. The combined ratio stands at at 97.0%, improving 2.5 points since the year 2015, the lowest level in the last 5 years. The favourable performance of the multi-risk business should be noted.

On the other hand, the financial result remains stable at 4.0% for earned premiums, contributing €30.5 million euro.

Combined ratio Plus Ultra Seguros



* 2012: date of entry of Plus Ultra Seguros to Grupo Catalana Occidente



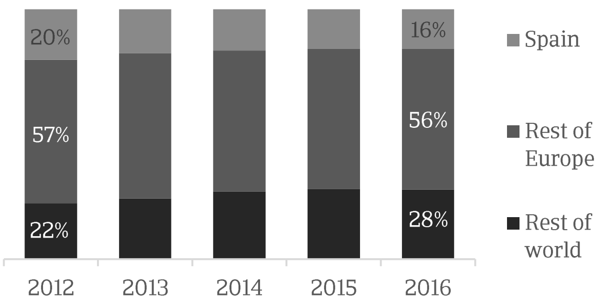
Credit insurance business

The recurring profit grew by 9.4% to €186.5 million.

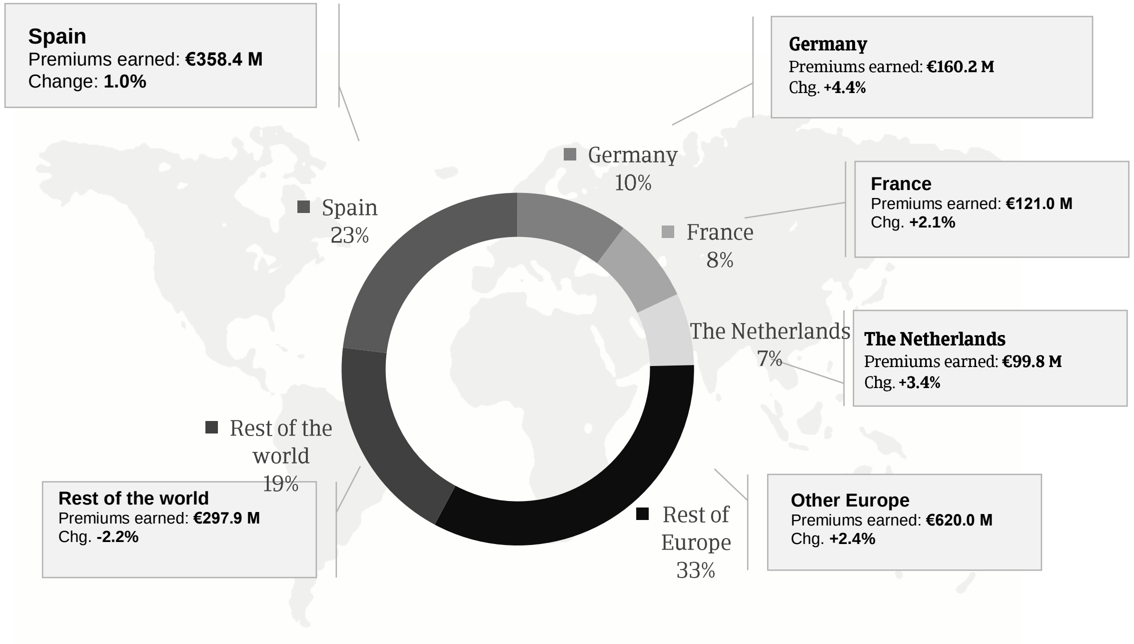
In the credit insurance business, the Group has increased its income by 1.6% to €1,685.2 million. Earned premiums, at €1,557.8 million, grew by 1.4%, boosted by a growth of 4.4% in Germany and 3.4% in the Netherlands. In Spain, the main market, earned premiums grew by 1,0%, supported by a higher volume of customer sales that counteract the pressure on prices. For their part, information services grew by 4.9%, at €127.4 million.

In terms of volume, measured as cumulative risk (TPE), the Group has grown by 4.3% to €587.1 million. Europe represents 72.1% of total exposure and Spain is the main market, with 15.9% of the total. Asia and Australia represent 13.5% and exposure in these countries is down 0.8% since the beginning of the year.

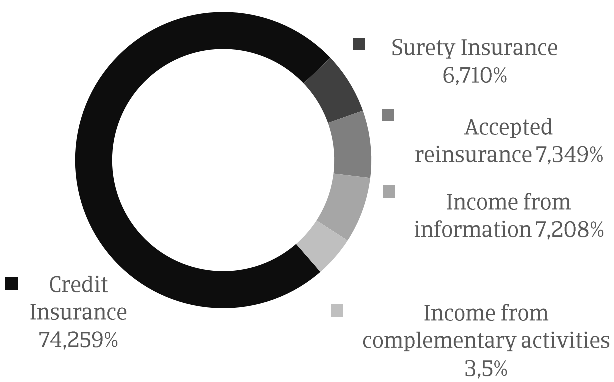
Evolution of cumulative risk (TPE)



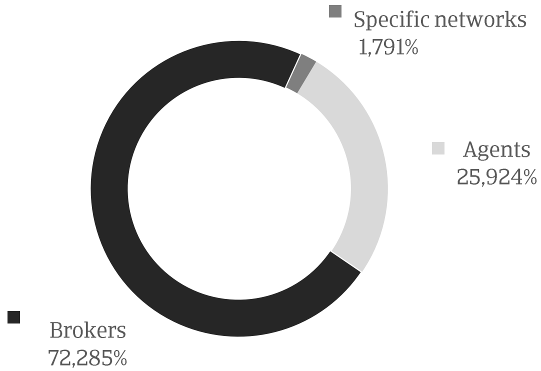
Earned premiums performance +1.4%



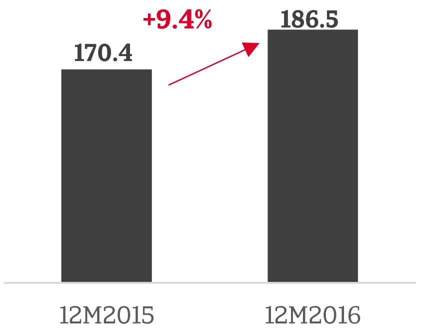
Business diversification



Distribution channels



Increase in recurring results



The recurring result increased by 9.4%, supported by good technical performance. The technical result improved by 9.7%, with a stable claim level both in number of claims and their average cost, representing 42.0% of net income. By incorporating the effect of reinsurance, the ratio of expenses and commissions worsened by 1.2 p.p.

The reinsurance transfer ratio stands at 42.5%, the same level as the year before.

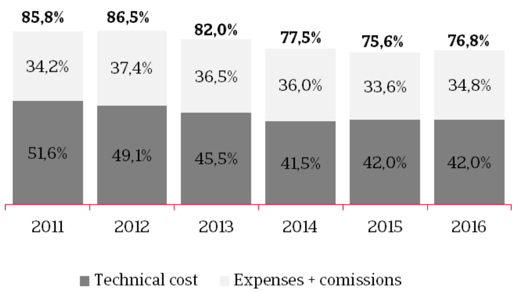
Incorporating the amount of expenses and commissions and the effect of reinsurance, the combined ratio stands at minimum levels of 76.8%.

In addition, the financial result contributes €14.8 million and the complementary activities contribute 7.5% more, up €8.6 million (explained in the corresponding section), thanks to the good performance of the business of the Dutch government account.

(figures in million of euros)

Credit insurance business	2012	2013	2014	2015	2016	% chg. 15-16
Earned premiums	1,439.8	1,412.1	1,457.6	1,536.8	1,557.8	1.4%
Income from information	107.5	110.4	115.3	121.5	127.4	4.9%
Net income	**1,547.3**	**1,522.5**	**1,572.9**	**1,658.3**	**1,685.2**	**1.6%**
Technical result after expenses	213.7	289.5	355.3	343.4	376.8	9.7%
% over income	*13.8%*	*19.0%*	*22.6%*	*20.7%*	*22.4%*	
Reinsurance result	-109.6	-131.0	-145.8	-103.0	-140.1	36.0%
% over income	*-7.1%*	*-8.6%*	*-10.0%*	*-6.7%*	*-9.0%*	
Net technical result	104.1	158.5	209.5	240.4	236.7	-1.5%
% over income	*6.7%*	*10.4%*	*13.3%*	*14.5%*	*14.0%*	
Financial result	27.5	13.3	13.7	4.8	14.8	
% over income	*1.8%*	*0.9%*	*0.9%*	*0.3%*	*0.9%*	
Complementary activities result	6.6	4.9	4.1	8.0	8.6	7.5%
Company income tax	-33.6	-47.2	-70.4	-71.1	-64.3	
Adjustments	-0.1	-3.4	-4.6	-11.6	-9.4	
Recurring result	**104.5**	**126.1**	**152.3**	**170.4**	**186.5**	**9.4%**
Non-recurring result	**11.8**	**1.1**	**-6.0**	**-15.9**	**-26.1**	
Total business result	**116.3**	**127.2**	**146.3**	**154.5**	**160.4**	**3.8%**

Performance of the net combined ratio



General expenses and commissions

The amount of general expenses and commissions is influenced by the different incorporation of the Plus Ultra Seguros business, which was complete in 2016 and only from July in 2015.

In relative terms, the ratio of expenses and commissions over income is maintained at levels of 29.6%, reflecting the strict containment of costs.

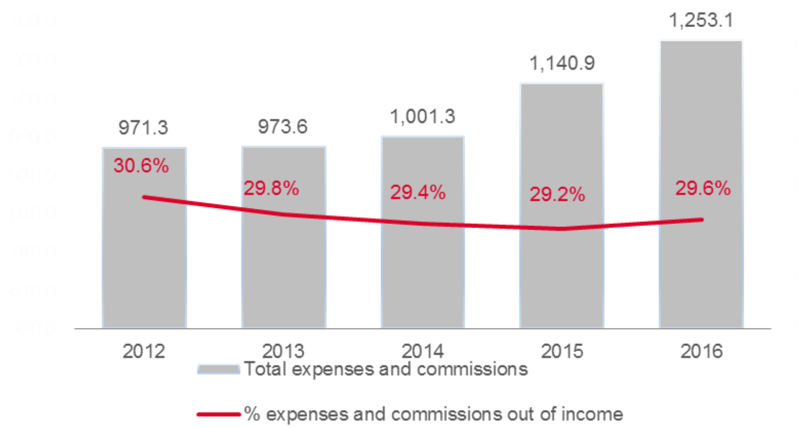
In traditional business, general expenses, considering the entirety of Plus Ultra Seguros in both years, decreased by 0.6%.

In credit insurance, expenses have been negatively impacted by the exchange rate, by approximately €6.7 million. Excluding said effect, the expenses would have increased by 1.6%.

Non-recurring expenses in an amount of €5 million correspond to the credit insurance business and are explained in the specific section.

(figures in million of euros)

Expenses and commissions	2012	2013	2014	2015	2016	% chg. 15-16
Traditional business	238.6	238.9	240.9	286.8	338.9	18.2%
Credit insurance business	361.1	360.4	388.6	389.3	400.9	3.0%
Non-recurring expenses	-2.1	9.2	-1.1	22.7	5.0	
Total expenses	**597.6**	**608.5**	**628.4**	**698.8**	**744.8**	**6.6%**
Commissions	**373.7**	**365.1**	**372.9**	**442.1**	**508.3**	**15.0%**
Total expenses and commissions	**971.3**	**973.6**	**1,001.3**	**1,140.9**	**1,253.1**	**9.8%**
% expenses and commissions out of income	**30.6%**	**29.8%**	**29.4%**	**29.2%**	**29.6%**	



Reinsurance result

Reinsurance result

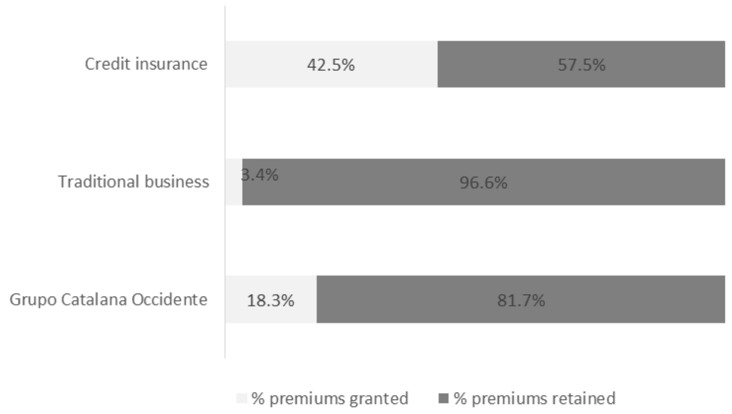
The transfer of the premiums to reinsurance is mainly marked by the type of business undertaken by the Group. In the credit insurance, proportional assignments are made that bring greater stability to the results over the business cycle, and non proportional assignments that reduce the potential impact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

Overall, reinsurance has resulted in €144.1 million, €7.2 million from traditional business and €137.0 million from the credit insurance business.

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

(figures in million of euros)

Reinsurance	2012	2013	2014	2015	2016	% chg. 15-16	Traditional business	Credit insurance
Insurance premium ceded to reinsurers	-711.8	-697.2	-710.8	-742.2	-749.4	1.0%	-86.6	-662.8
Net insurance premium ceded to reinsurerd	-707.6	-698.2	-695.4	-743.5	-752.0	1.1%	-90.2	-661.8
% of earned premiums	*-23.0%*	*-22.4%*	*-21.1%*	*-20.1%*	*-18.4%*		*-3.6%*	*-42.5%*
Commissions	214.1	229.5	254.9	275.7	267.8	-2.9%	15.0	252.8
Claims	374.0	305.7	274.2	351.3	340.1	-3.2%	68.0	272.0
Reinsurance result	**-119.5**	**-163.1**	**-166.3**	**-116.5**	**-144.1**	**23.7%**	**-7.2**	**-137.0**



Financial result

The financial result has contributed €62.3 million to the Group's income statement. With regards to the previous year, the financial result decreased by 26.5% due to the different impact of non-recurring results (loss of -€15.5 million in vs. a profit of €22.3 million in 2015).

The recurring financial result has increased 24.5% thanks to the favourable impact of the credit insurance.

The traditional business achieved €71.5 million, 2.0% more than in 2015. With respect to earned premiums, it has dropped 0.4p. due to the different contributions from subsidiary companies (Plus Ultra Seguros is not included in 2016). Despite the reduced interest rates, the financial income net of expenses have increased 5.1%.

The largest contribution from credit insurance is mainly due to the exchange rates, improving by €8.0 million. In addition, an adjustment is applied to intra-group loans, making the result €6.3 million.

(figures in million of euros)

Financial result	2012	2013	2014	2015	2016	% chg. 15-16
Financial income net of expenses	160.7	164.9	176.2	212.5	223.3	5.1%
Exchange differences	-0.7	-0.4	-0.1	0.1	0.1	
Subsidiary companies	6.3	17.8	18.9	4.9	0.3	
Interests applied to life	-134.6	-138.3	-140.5	-147.4	-152.2	3.3%
Recurring results traditional business	**31.7**	**44.0**	**54.5**	**70.1**	**71.5**	**2.0%**
% of earned premiums	*1.9%*	*2.6%*	*3.0%*	*3.2%*	*2.8%*	
Financial income net of expenses	23.1	17.3	16.0	17.4	17.9	2.9%
Exchange differences	3.5	-2.7	-1.2	-0.4	8.0	
Subsidiary companies	8.0	5.8	7.2	0.9	4.6	
Interests subordinated debt	-7.1	-7.1	-8.3	-13.1	-15.7	19.6%
Recurring results from credit insurance	**27.5**	**13.3**	**13.7**	**4.8**	**14.8**	
% of net income from insurance	*1.8%*	*0.9%*	*0.9%*	*0.3%*	*0.9%*	
Intra-group interest adjustment	0.0	0.0	0.0	-12.4	-8.5	
Adjusted recurring financial results from credit insurance	**27.5**	**13.3**	**13.7**	**-7.5**	**6.3**	
Recurring financial results	**59.2**	**57.3**	**68.2**	**62.5**	**77.8**	**24.5%**
% of net income from insurance	*1.9%*	*1.8%*	*2.0%*	*1.6%*	*1.8%*	
Non-recurring financial results	**-11.2**	**15.7**	**5.7**	**22.3**	**-15.5**	
Financial result	**48.0**	**73.0**	**73.9**	**84.8**	**62.3**	**-26.5%**

Non-recurring result

In the year 2016, items were reclassified, affecting the consideration of recurring and non-recurring result.

At the end of the year 2016, the Group had a negative impact of -€21.0 million for non-recurring results.

For business, the non-recurring result after tax for the traditional business represented a profit of €5.1 million, supported by profits from the financial assets. With regards to the data published in 2015, the regulation cost has been reclassified (variation of the provision due to update of the EIOPA curve and adaptation of the calculation due to adjustments in the DGS interest rate) as well as consolidation adjustment due to depreciation of intangible assets derived from the incorporation of Plus Ultra Seguros to the Group.

For its part, the credit insurance business has registered a loss of –€26.1 million, mainly originating from the decreased value due to increasing shareholding to 100% in the affiliate company "Graydon".

(figures in million of euros)

Non-recurring result(net of taxes)	2012	2013	2014	2015	2016
Traditional business technical result	0.3	-0.2	-0.1	0.0	0.0
Traditional business financial result	-8.5	4.3	0.3	9.7	5.3
Expenses and other non-recurrent from traditional business	-3.1	-10.1	-2.2	-4.6	-0.2
Non-recurrent traditional business	**-11.2**	**-6.0**	**-1.9**	**5.2**	**5.1**
Credit insurance technical result	1.6	-0.6	0.6	0.0	0.0
Credit insurance financial result	-0.3	6.9	0.5	1.7	-20.8
Payback to the Consorcio de Compensación de Seguros	10.5	-5.2	-7.1	0.0	0.0
Expenses and other non-recurring credit insurance	0.0	0.0	0.0	-17.6	-5.3
Non-recurring credit insurance business	**11.8**	**1.1**	**-6.0**	**-15.9**	**-26.1**
Non-recurring result (net of taxes)	**0.5**	**-4.9**	**8.1**	**-10.8**	**-21.0**

Balance Sheet

The assets of Grupo Catalana Occidente increased by €611.5 million

Grupo Catalana Occidente ended the year 2016 with assets of €13,907.5 million, an increase of 4.6%.

The main items that explain this increase are:

- Cash, at 427 million euro.
- Technical provisions, at €276.7 million.
- Net equity, at €248.9 million.

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

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

(figures in million of euros)

Assets	2012	2013	2014	2015	2016	% chg. 15-16
Intangible assets and property	**881.3**	**883.3**	**876.6**	**1,100.8**	**1,213.1**	**10.2%**
Investments	**6,573.7**	**7,163.3**	**8,258.3**	**9,763.0**	**10,332.0**	**5.8%**
Investment property	224.6	226.5	223.3	278.7	398.0	42.8%
Financial investments	5,969.2	6,503.8	7,448.5	8,874.5	8,897.3	0.3%
Cash and short-term assets	379.9	433.0	586.5	609.7	1,036.6	70.0%
Reinsurance of technical provisions	**988.5**	**895.2**	**889.4**	**1,002.1**	**895.1**	**-10.7%**
Other assets	**1,285.7**	**1,159.6**	**1,192.2**	**1,430.1**	**1,467.2**	**2.6%**
Deferred tax assets	127.5	115.9	127.2	96.1	91.1	-5.2%
Credits	786.1	703.2	702.2	873.0	900.4	3.1%
Other assets	372.1	340.5	362.8	461.1	475.8	3.2%
Total assets	**9,729.2**	**10,101.4**	**11,216.5**	**13,296.0**	**13,907.5**	**4.6%**

Net liabilities and equity	2012	2013	2014	2015	2016	% chg. 15-16
Long term capital	**1,795.3**	**2,100.3**	**2,685.7**	**2,797.7**	**3,039.6**	**8.6%**
Equity	**1,676.5**	**1,980.8**	**2,437.6**	**2,585.8**	**2,834.7**	**9.6%**
Parent company	1,433.4	1,723.8	2,167.1	2,299.7	2,533.6	10.2%
Minority interests	243.1	257.1	270.5	286.1	301.1	5.2%
Subordinated liabilities	**118.8**	**119.5**	**248.1**	**211.8**	**204.9**	**-3.2%**
Technical provisions	**6,844.3**	**6,905.5**	**7,235.0**	**9,074.3**	**9,351.0**	**3.0%**
Other liabilities	**1,089.6**	**1,095.6**	**1,295.8**	**1,424.0**	**1,516.8**	**6.5%**
Other provisions	158.2	153.0	148.0	161.1	186.4	15.7%
Deposits for reinsurance granted	68.3	62.1	60.4	82.3	59.2	-28.1%
Deferred tax liabilities	179.2	222.3	320.3	328.9	340.3	3.5%
Liabilities	480.1	457.6	524.6	574.3	623.0	8.5%
Other liabilities	203.8	200.6	242.5	277.3	308.0	11.1%
Total net liabilities and equity	**9,729.2**	**10,101.4**	**11,216.5**	**13,296.0**	**13,907.5**	**4.6%**

Investments and funds under management

Investment activity, focused on traditional assets and fund management in 2016 has been characterised by prudence and diversification

The Group manages funds amounting to €11,672.1 million, €616.3 million more than in the previous year.

The total investment in property at market value amounts to €1,173.2 million. The majority of the Group's properties are located in areas considered “prime” areas in the most important Spanish cities. All of the properties for use by third parties are located in these areas and have a very high rate of occupancy. They are appraised every two years through entities authorised by the regulating authority. Capital gains from these properties stand at €468.9 million. For further information, see notes 8 a) and b) of the Notes on the Consolidated Financial Statements.

Fixed-income investment represents 61.1% of the total portfolio, standing at €6,578 million. The distribution of the rating in the portfolio is shown graphically below. At year end, 37.4% of the portfolio is rated A or higher, while the average rating is BBB, which responds to the investment in bonds in the Spanish market. The duration of the portfolio at year end was 4.67 and profitability was of 2.90%.

(figures in million of euros)

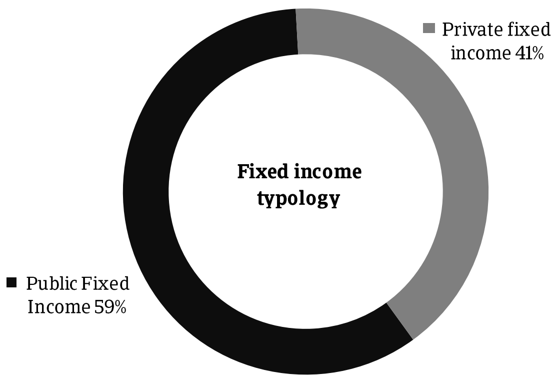
Investments and funds under management	2012	2013	2014	2015	2016	% chg. 15-16	% of inv. R. Co.
Properties	1,030.0	977.4	943.3	1,024.4	1,173.2	14.5%	10.9%
Fixed Income	3,724.2	4,114.9	4,906.4	6,396.3	6,578.0	2.8%	61.1%
Variable Income	521.7	754.3	927.0	1,304.3	1,345.8	3.2%	12.5%
Deposits with credit institutions	540.5	600.5	593.9	464.4	412.6	-11.2%	3.8%
Other investments	136.0	137.7	141.0	124.6	133.2	6.9%	1.2%
Cash and monetary assets	815.7	679.1	789.7	772.2	1,060.6	37.4%	9.9%
Investment in investee companies	338.0	362.6	373.5	99.0	62.9	-36.5%	0.6%
Total investments, risk to entity	**7,106.2**	**7,626.5**	**8,674.9**	**10,185.2**	**10,766.3**	**5.7%**	**100.0%**
Investments on behalf of policyholders	262.7	281.1	294.8	315.7	332.5	5.3%	
Pension plans and mutual funds	449.4	474.3	511.1	554.9	573.2	3.3%	
Total investments, policy holder risk	**712.1**	**755.4**	**805.9**	**870.6**	**905.7**	**4.0%**	
Investments and funds under management	**7,818.3**	**8,381.9**	**9,480.8**	**11,055.8**	**11,672.1**	**5.6%**	

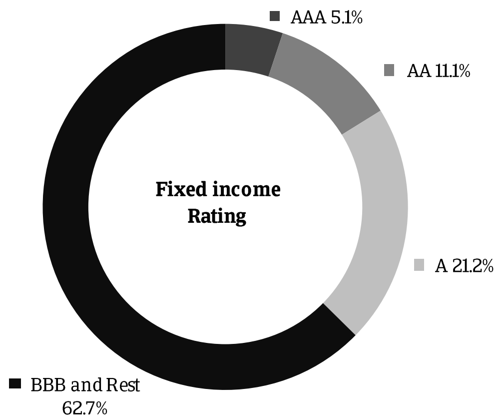
Variable income represents 12.5% of the portfolio and has increased by 3.2%, reflecting the better revaluation of the financial markets. The investment portfolio is widely diversified and focused on high-capitalisation securities, mainly in the Spanish market (33.4%) and the European market (66,6%), which show attractive dividend returns.

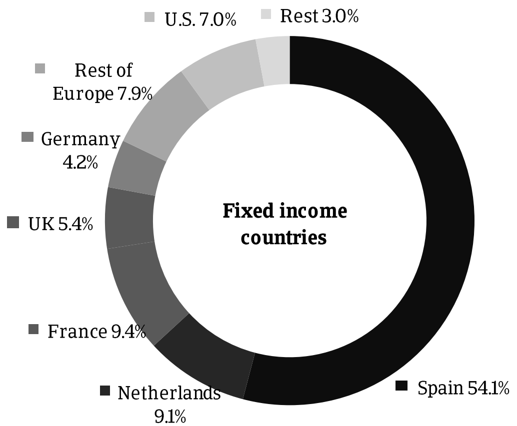
The Group maintains a liquidity position of €1,473.2 million (€412.6 million in deposits with credit institutions, mainly at Banco Santander and BBVA).

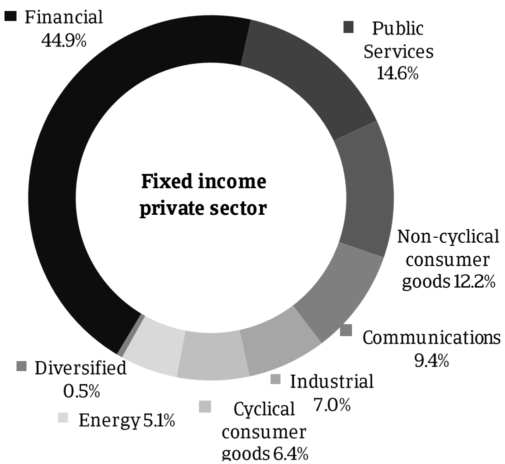
Information relative to distribution by portfolios, type of investment and maturities can be found in note 4 b) of the Notes on the Consolidated Financial Statements. Information relative to the details of investee companies can be found in appendices I and II of the Notes to the Consolidated Financial Statements.

Fixed income

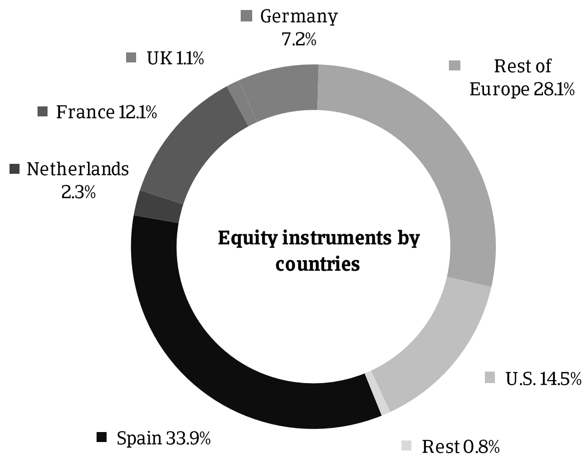


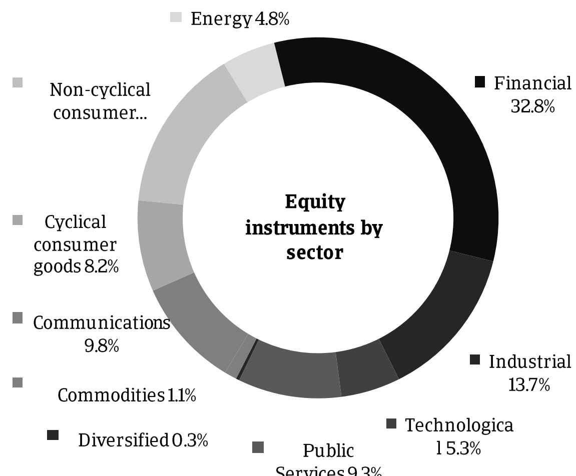






Variable income





Capital management

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

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

Principles of capital management

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

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

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

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

Objectives of capital management

As objectives, the Group manages its capital to:

- Maximise the value for shareholders in the long term.
- Comply with solvency regulation requirements.
- Maintain the financial strength within the "A" rating range.

For more information see section 4 of the Management and Risk Control System in the Notes on the Consolidated Financial Statements.

Process of capital management

Recurring results	Adequate technical-actuarial management Effective management of investments Optimum arrangement of the organisation and systems Continuous contribution from the human team
Adequate dividend distribution	Average growth in accordance with results Average pay-out of 30%
Solvency as a strategic pillar	Promote the creation of value and development in accordance with the appetite and tolerance levels to risk
Protection through reinsurance	Depending on business type Diversified and high credit quality
Financial flexibility	Transfer and fungibility of capital within the Group Capacity to resort to the capital market Reduced debt levels
Culture	Clear and transparent governance Discipline for risk assumption

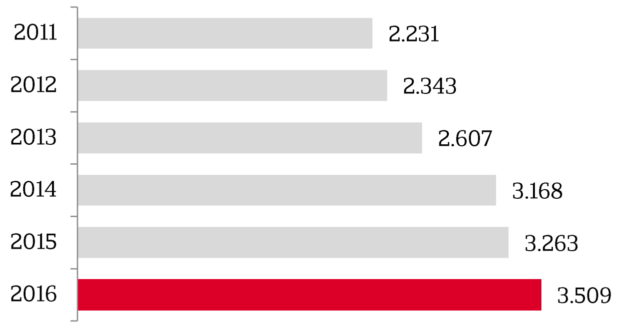
Capital performance

(figures in million of euros)

LONG TERM CAPITAL AT 31/12/15	**2,797.7**
NET EQUITY AT 31/12/2015	**2,585.9**
(+) Consolidated results	324.5
(+) Dividends paid	-83.0
(+) Variation of valuation adjustments	53.7
(+) Other changes	-46.4
Total movements	**248.8**
TOTAL NET EQUITY ON 31/12/2016	**2,834.7**
Subordinated debt	204.9
LONG TERM CAPITAL AT 31/12/2016	**3,039.6**
Capital gains not included in balance sheet	468.9
LONG TERM CAPITAL at market value	**3,508.5**

The improved result has helped to boost the Company's equity position. Market movements have led to an increase in the value of investments, with a positive impact of €53.7 million. Also, dividends have been paid, amounting to €83.0 million, 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 has issued subordinated debt amounting to €250 million, maturing in September 2044, which can be fully amortised from September 2024. It bears interest at a fixed rate of 5.25% for the first ten years and, thereafter, the interest rate is variable 3-month Euribor plus 5.03% (see section 12b) of the Notes on the consolidated financial statement).



* Furthermore, subordinated debt amount computable for the Group has been reduced by €40 million after deducting the investment that Plus Ultra Seguros has in the bond.

Stable "A" rating

A.M. Best highlights three basic aspects from the companies in the traditional business:

- A good business model
- Excellent operating results
- Appropriate capitalisation, thanks to the internal generation of capital

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

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

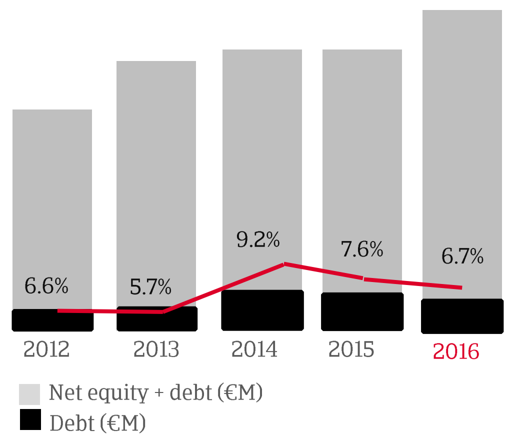
- Good capitalisation
- Low financial leveraging
- The conservative investment portfolio

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

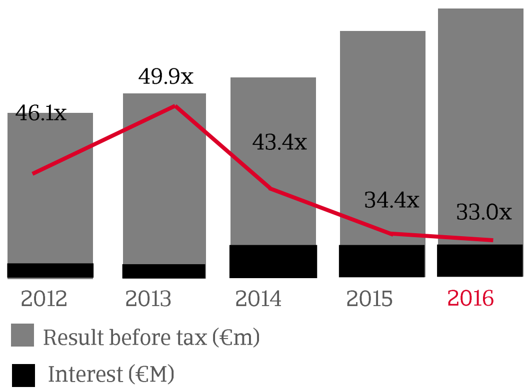
Financial strength

The Group has a debt ratio of 6.7%. The debt corresponds to the issue of Atradius.

Reducing debt ratio



Strong interest coverage ratio



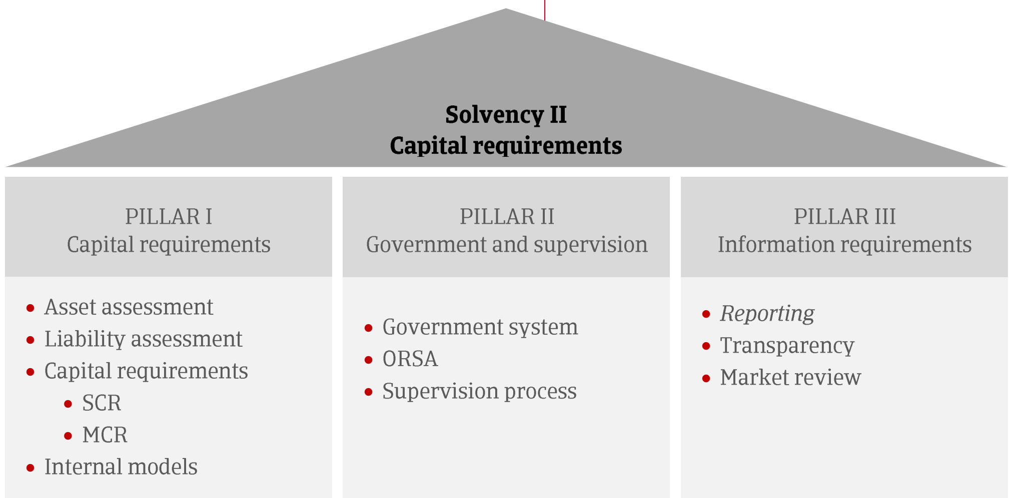
Strong solvency II ratio

From January 1, 2016, the capital is quantified using the standard formula established in the solvency II regulation. Thus, the Group's solvency ratio and that of each of its entities is the result of comparing the equity of the entity at market value (economic capital) to the mandatory solvency capital requirement (SCR).

The mandatory solvency capital requirement includes all of the risks to which the entity is exposed, particularly the following: market risk, subscription risk, counterparty default risk and operational risk.

Grupo Catalana Occidente and all of its entities reflect a robust solvency ratio.

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



Business model

Protection and forecast

Leadership in
protection and long-term
welfare for families and
companies in Spain and the coverage of
commercial credit risks on an international
scale.

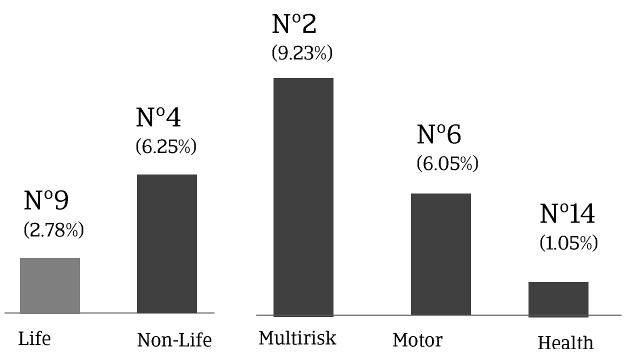
05

Business model

Grupo Catalana Occidente is a multinational company engaged in worldwide insurance operations, operating in over 50 countries through over 50 entities. The ownership of the various entities by Grupo Catalana Occidente implies, without prejudice to their legal Motornomy, their integration within the corporate structure through the coordination and supervision of their activities by the parent company.

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

In Spain, the Group holds the sixth position in the ranking, with a market share of 4.6%: 6.25% in non-life and 2.78% in life. Furthermore, in credit insurance, the Group is the second entity worldwide, with a market share of 22.7%.



The aim of the Group is based on leadership in protection and long-term welfare for families and companies in Spain and on the coverage of commercial credit risks at the international level. The Group bases its strategy on 3 basic pillars:

Growth

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

Profitability

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

Solvency

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

Insurance specialist

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

Solid financial structure

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

Closeness – global presence

- Distribution of intermediaries
- Over 19,000 intermediaries
- Over 6,800 employees
- Over 1,600 offices
- Over 50 countries

Technical rigour

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

Business units

Traditional business

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

The business lines offered are:

Multirisk

Family-home, stores, communities, offices and SMEs

Auto

Coverage for vehicles or transport fleets

Other

Industrial products, engineering, accidents and civil liability insurance.

Life

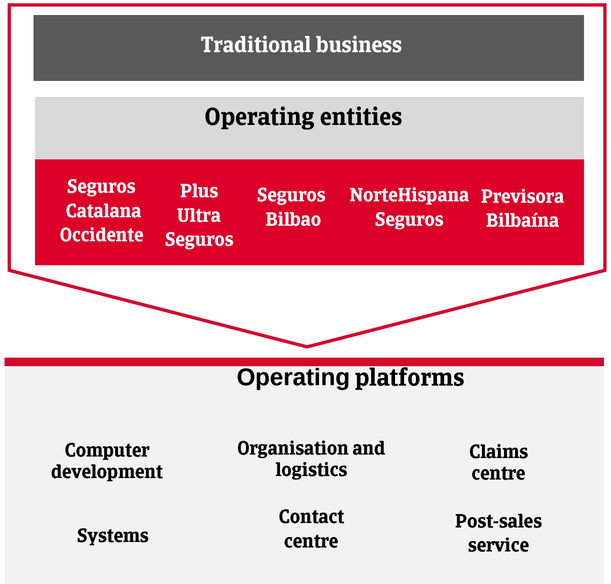
Life risk, life savings, pension plans and investment funds, as well as funeral and health

The brands of the Group in the traditional business are:

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

Operating platforms of the Group:

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



Credit insurance business

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

The business lines offered are:

Credit insurance

Protects against financial losses due to the inability of a buyer to pay for goods purchased on credit.

Surety

Protects the beneficiary if a supplier does not comply with its contractual obligations.

Reinsurance

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

Global

Solutions adapted in a Global manner for multinational companies.

The brands of the Group for credit insurance are:

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

Ethical framework

The Group promotes responsible and transparent management the customer is the centre of its operations and people are the most important asset.

The behaviour of all members of the Group is based on ethical principles related to good faith.

The Group's Code of Ethics, updated in January 2015, and revised annually, includes, systematises and publicises its principles and values for action, in order to convert them into guidelines that control the commercial and professional relationships of all members: directors, employees, agents and associates.

Code of Ethics of the Group

Grupo Catalana Occidente has formalised the commitment of its human team with the principles of good faith and integrity, through the approval of the Group's code of ethics. The main pillars it defends are:

Integrity and honesty in order to generate trust.

Respect and compliance with laws and regulations in force.

Respect for people, their dignity and their values.

Confidentiality of the information of policyholders and shareholders and full transparency with them.

Excellence in order to place customer satisfaction at the forefront of professional conduct

Previous values and action guidelines are embodied in the Code of Ethics and the internal regulations that develop the Code of Ethics and that apply to all employees, agents and associates and which cover, among other things, the responsibilities of the Compliance Officer of Grupo Catalana Occidente, what to do when receiving judicial documentation or in case of an inspection, a procedure manual and how to select suppliers.

Communication and monitoring

The Code of Ethics has been notified through the Intranet to each of the companies in the Group. Training courses have also been carried out.

Grupo Catalana has also implemented a channel for reporting violations of the Code of Ethics, governed by the regulations relative to the procedure established in cases of irregularities and fraud. The code itself enables the Group to take the measures it deems appropriate in accordance with the regulatory framework in force.

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

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

Corporate structure

Grupo Catalana Occidente consists of over 50 entities, mostly entities linked to insurance activity.

The parent company is Grupo Catalana Occidente S.A., which directly and indirectly administers and manages the investments of all Group entities.

The following graph shows the principal entities included in the consolidation perimeter of Grupo Catalana Occidente at the end of 2016, differentiating between the insurance entities, the entities that support the insurance business and the entities that channel investments.

GRUPO CATALANA OCCIDENTE
Parent company

INSURANCE COMPANIES	COMPLEMENTARY INSURANCE COMPANIES	INVESTMENT COMPANIES
Seguros Catalana Occidente	Tecniseguros	GCO Gestión de Activos
Seguros Bilbao	Bilbao Vida	Menéndez Pelayo, SICAV
NorteHispana Seguros	S. Órbita	Catoc SICAV
Plus Ultra Seguros	Bilbao Telemark	Bilbao Hipotecaria
GCO Re	Inversions Catalana Occident	Salerno 94
Previsora Bilbaína Seguros	CO Capital Ag. Valores	Gesiuris
Previsora Bilbaína Vida	Cosalud Servicios	Hercasol SICAV
	GCO Tecnología y Servicios AIE	Previsora Inversores SICAV
	Prepersa, AIE	Pb Cemer 2002
	Azkaran	Arroita 1878
	Agesal	
	GCO Contact Center AIE	
	Asitur Asistencia	
	Calboquer	
	Grupo Funeuskadi	
Atradius Crédito y Caución	Atradius Collections	Grupo Compañía Española Crédito y Caución, S.L.
Atradius Re	Atradius Dutch State Business	Atradius NV
Atradius ATCI	Atradius Information Services	Atradius Participations Holding
Atradius ASC México	Iberinform International	Atradius Finance
Atradius Rus Seguros de Crédito Rusia	Graydon	
Crédito y Caución Seguradora de Crédito e Garantías Brazil		
CLAL Credit Insurance		

TRADITIONAL BUSINESS
CREDIT INSURANCE BUSINESS

Magnitudes of the main insurance entities of the Group

(figures in million of euros)

Main insurance entities of the Group	%	Activity	Capital	Turnover 2015	Turnover 2016	% Chg. 15-16	Results 2015	Results 2016	% Chg. 15-16
Seguros Catalana Occidente	100%	Life and non-life	657.5	1,156.7	1,124.6	-2.8%	128.8	134.9	4.7%
Plus Ultra Seguros	100%	Life and non-life	357.0	729.2	761.2	4.4%	22.2	23.3	5.0%
Bilbao Seguros	99.7%	Life and non-life	263.8	509.2	526.5	3.4%	39.8	35.4	-11.1%
Nortehispana Seguros	99.9%	Funeral	81.2	133.1	132.0	-0.8%	5.5	9.5	72.7%
Previsora Bilbaína Vida	100%	Life	7.1	0.8	0.8		0.2	0.1	
Previsora Bilbaína Seguros	100%	Funeral	65.3	42.0	42.6	1.5%	5.1	4.3	
GCO Re	100%	Reinsurance	11.6	4.8	74.5		0	2.5	
Atradius Crédito y Caución	83.2%	Credit and suretyship	954.9	1,392.9	1,406.4	1.0%	151.2	162.2	7.3%
Atradius Re	83.2%	Reinsurance	583.9	466.7	474.0	1.6%	16.4	2.1	

Corporate governance

Best practices

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

06

Corporate governance model

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

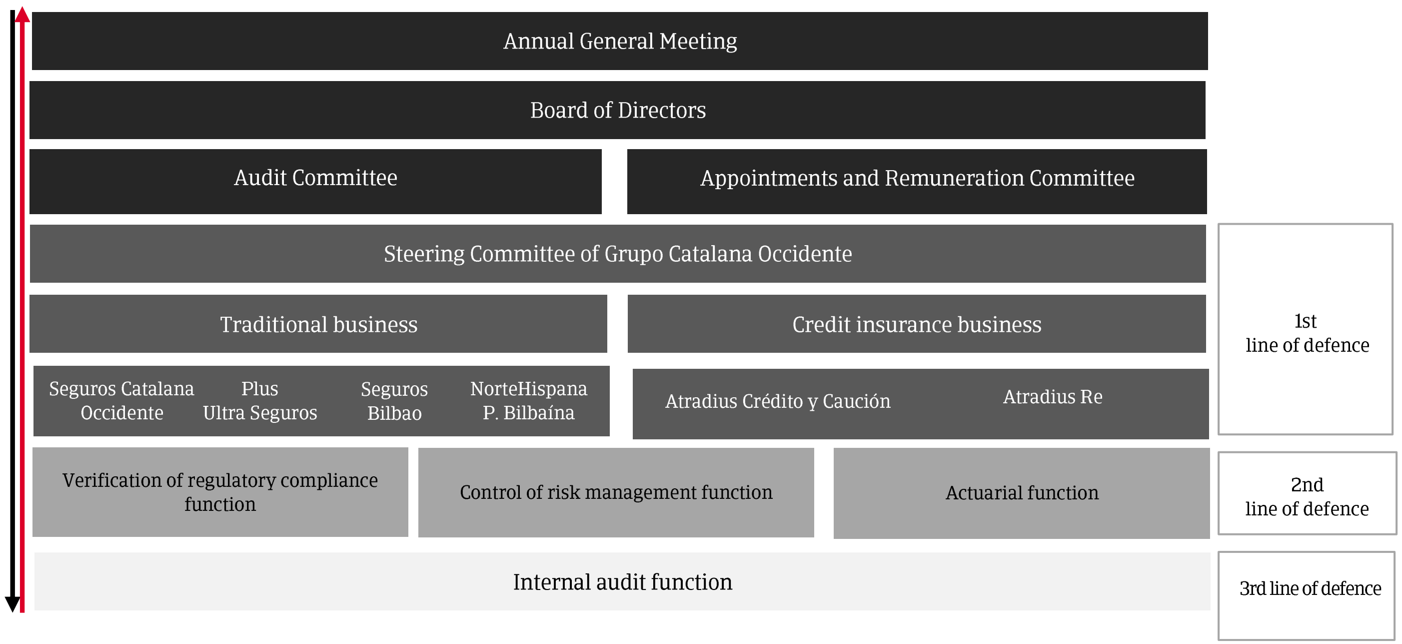
Annual General Meeting

The general meeting is the representation body of the Group's share capital that hold the share capital of the Group. It meets at least once a year, within the first six months of each period. One of its main functions is to approve the accounts and decide upon the application of the result.

Its operation and actions are regulated by the regulations of the general shareholders meeting (available from the Group website).

The next one is set for the 27 of April at 17:00 in Sant Cugat del Valles.

In order to facilitate the participation of all shareholders, the Group makes a digital forum available to all shareholders for debate as well as electronic methods that facilitate distance voting and the delegation of representation.



Board of Directors

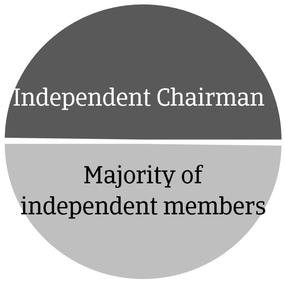
The Board of Directors is the maximum management authority in the Group. The guiding principle for action is to delegate the ordinary management to the management team and to concentrate the activity on the supervision function which includes:

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

Among other issues, the Board is responsible for the approval of the strategic the annual objectives and budgets, the investment and finance policy and the policies of corporate governance, dividends and risk control and management.

Its operation and actions are regulated by the regulations of the board of directors (available from the Group website).

Delegate committees:



Board of Directors

Chairman	Vice-Chairman	Chief Executive Officer	Secretary Director
*José María Serra Farré	JS Invest, SL – Javier Juncadella Salisachs	*José Ignacio Álvarez Juste	*Francisco José Arregui Laborda

Members

Jorge Enrich Izard
**Juan Ignacio Guerrero Gilabert
Federico Halpern Blasco
**Francisco Javier Pérez Farguell
*Hugo Serra Calderón
María Assumpta Soler Serra

Cotyp, S. L. – Alberto Thiebaut Estrada

Ensivest Bros 2014, S. L. – Jorge Enrich Serra
Inversiones Giró Godó, S. L. – Enrique Giró Godó
Jusal, S. L. – José María Juncadella Sala
Lacanuda Consell, S. L – Carlos Halpern Serra
Villasa, S. L. – Fernando Villavecchia Obregón

Vice-secretary (non director)
Joaquín Guallar Pérez

*Executive directors / **Independent
Access CVs on the Group's website

Delegate committees

Audit Committee	Appointments and Remuneration Committee
Chairman: Francisco Javier Pérez Farguell Member: Juan Ignacio Guerrero Gilabert Member: Lacanuda Consell, S.L.	Chairman: Juan Ignacio Guerrero Gilabert Member: Francisco Javier Pérez Farguell Member: JS Invest, S.L.

The profile of board and committee members can be found on the Grupo Catalana Occidente website.

Remuneration policy

Grupo Catalana Occidente, as a listed entity, has a remuneration policy that is approved by the general shareholders meeting. Furthermore, the Group annually publishes, on its website, the report on remuneration to the board of directors.

For further information, see the report on remuneration available on the Group's portal.

The company's remuneration policy is aimed at the recurring generation of value and sustainability of results over time. It also seeks alignment of the interests of its employees, collaborators and shareholders and prudent risk management, in such a manner that is reasonable with the size of the entity, its economic situation and the market standards of comparable companies.
It is also a general framework for the remuneration policies of the group companies, when the regulations require them.

Principles and pillars

The remuneration policy is based on the following principles:

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

In this sense, the previous principles can be translated to the following pillars:

- Moderation: remuneration depending on market requirements, promoting adequate risk management in accordance with established tolerance limits.
- Consistency: with the commercial strategy and risk management of the entity, its risk profile, its objectives, its risk management practices and the long-term performance and interests as a whole.
- Proportionality and adequacy: remuneration must be sufficient and appropriate for effective dedication, qualification and responsibility, without compromising independence.
- Transparency: the entity reports the amount of remuneration for the members of the board of directors and strategic personnel annually (in an aggregate manner for the latter).
- Regulatory compliance: the policy complies with legal requirements and is aligned with best market practices.

Self-assessment of the board and the committees

During 2016 the Board has assessed its activity through questionnaires about actions taken by the board and delegate committees and the chairperson’s performance. Results have been positive and have highlighted the suitability of procedures.

Information and transparency

The Board of Directors has approved the corporate governance report and the report on remuneration of members of the Board of Directors corresponding to the year 2016, following the guidelines established by the regulations in relation to the transparency of listed entities. All details can be found on the Group's website, www.grupocatalanaoccidente.com.

Fundamental functions

The fundamental functions contribute to the reinforcement of the integral system for risk management of the Group, supported by the entire organisation.

Control of risk management function

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

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

The control of risk management function aids the Board and the steering committee in achieving the aforementioned objectives.

Verification of regulatory compliance function

The verification of regulatory compliance function by Grupo Catalana Occidente ensures compliance with the regulations to which the Group is subject. As it is a listed Group, best practices are followed, including:

- Prevention of money laundering
- Data protection
- Criminal liability of legal entities
- Fight against fraud

The main activities carried out are:

- Implementation of policies and processes for monitoring and control of compliance risks.
- Assessment of the impact of changes in the legal environment.
- Regular control and assessment of the adequacy and effectiveness of the measures and procedures to detect and mitigate the risk of non-compliance.
- Design of the verification of regulatory compliance plan

Actuarial function

The actuarial function fundamentally acts upon the coordination of calculation of the technical provisions and other capacities attributed by regulations.

Its main functions are:

- To express an opinion on the suitability of the technical provisions.
- To express an opinion on the ORSA.
- To assess the sufficiency and quality of the data used.
- To express an opinion on the subscription policy.
- To express an opinion on the reinsurance policy.

Internal audit function

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

Its main functions are:

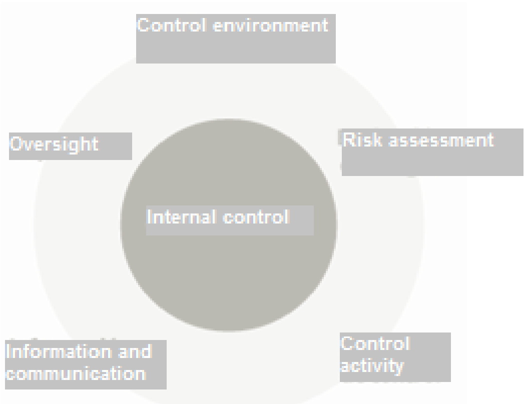
- To establish an audit plan consistent with the strategic plan of Grupo Catalana Occidente through a risk-based approach that also considers the audits required by regulators and other certification authorities.
- To carry out the pertinent audits, among which we can highlight those relative to solvency II processes and financial information.
- To issue reports on the compliance and weaknesses of the areas audited.
- To recommend actions that mitigate the risks identified.

Internal control

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

The system is based on a solid culture of control where the fundamental principles are clearly defined communicated to all levels of the organisation.

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



Following the recommendations of the CNMV about the Internal Control System of Financial Reporting (SCIIF) in 2016, the Group has made progress in strengthening the reliability of the financial reporting released through the documentation of the processes, the homogenization of criteria and the reflection on efficiency improvements.

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

Furthermore, the Group has continued to examine the capital charge that might result from the credit risk associated with investments.

External audit

The firm Deloitte conducts and coordinates external financial audits — primarily financial — of the Group and its companies. With this, global standardisation is ensured for all audits and, particularly, those related to the financial information systems.

At Group's 2016 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 2016.

The audit report contains a positive opinion without reservations regarding the annual consolidated financial statement of the year 2016.

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

The amounts payable to external auditors in the year 2016 for audit of the accounts is €3.3 million, of which €3.1 million correspond to the main auditor.

Risk management

The board of directors is responsible for establishing the risk management policies and strategies of the Group.

Risk managementsystem

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

1st Line: Risk assumption and liability.
This includes the business units that are responsible for the risk assumed and its management.

2nd Line: Control and monitoring.

This consists of the risk management control, regulatory and actuarial compliance verification function. It defines controls that allow for ensuring compliance with risk management policies and processes.

3rd Line: Internal audit function.

The internal audit function is responsible for undertaking independent assessments of the effectiveness of the control system, the risk management system and internal control.

Board of Directors

Steering committee

First line of defence	**Second line of defence**
Business units	Actuarial function Control of risk management function Verification of regulatory compliance function

Third line of defence: Internal audit function

On the other hand, the board of directors is responsible for guaranteeing the effectiveness of the risk management system through compliance with the Group's general strategies and the steering committee is responsible for ensuring its appropriate implementation, maintenance and monitoring

In order to complete the control of the risk management system. Grupo Catalana Occidente and its entities have developed written policies that, together with the existing technical regulations, guarantee appropriate risk management.

These policies identify the risks relative to the area affected, establish measures to quantify the risk, determine the actions required to monitor and control said risks, establish measures to mitigate their impact and determine the information and internal control systems to be used to control and manage these risks.

Risk strategy

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.

Within the risk strategy, the following concepts are identified:

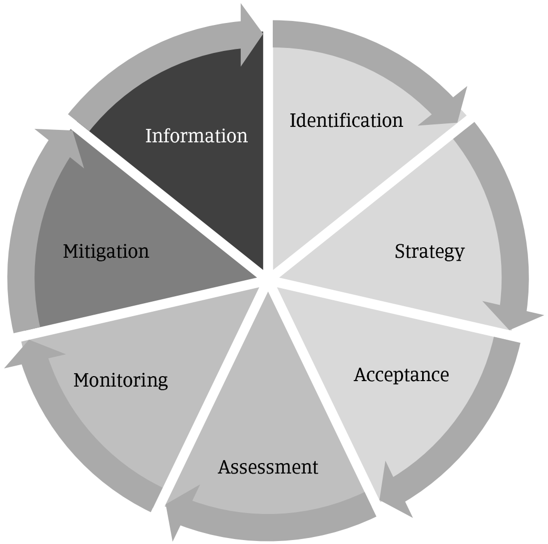
Risk profile	Risk assumed measured in terms of capital required.
Risk appetite	Maximum risk that the entity is willing to accept in order to achieve its objectives.
Risk tolerance	First level of disaggregation of the risk appetite depending on the business, type of risk and individual entity.
Risk limits	Operating limits established to comply with risk tolerance.
Alert indicators	In addition, the Group has implemented of a series of early alert indicators that work as a base for both monitoring risks and complying with the risk appetite approved by the Board of Directors.

Risk management process

This establishes the process that Grupo Catalana Occidente and its entities use to identify, accept, assess, monitor, mitigate and report risks.

During the process, the risk strategy is defined, ensuring that its integration with the business strategy enables compliance with the risk appetite and tolerance established by the Board of Directors.

The Group's risk management process is broken down into the following phases:



Business strategy and ORSA

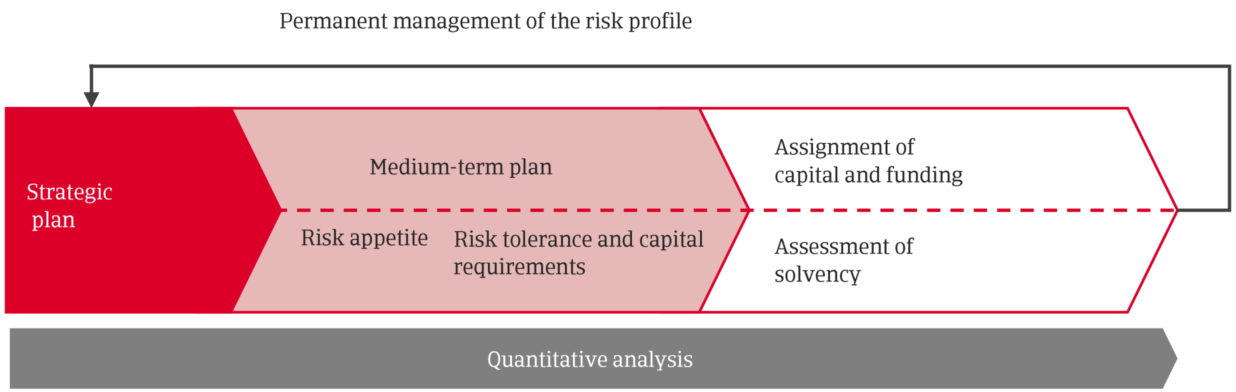
The business strategy is defined in the strategic plan of Grupo Catalana Occidente and in the medium-term plan, which is aligned with the risk strategy. The self-assessment process for risks and solvency and ORSA to contribute to guaranteeing this alignment.

The ORSA is completed at least once a year and evaluates:

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

Furthermore, the ORSA contributes to distributing a common risk culture within the Group and provides a prospective vision of the risks and the solvency position within the framework of the medium-term plan:

Planning phase



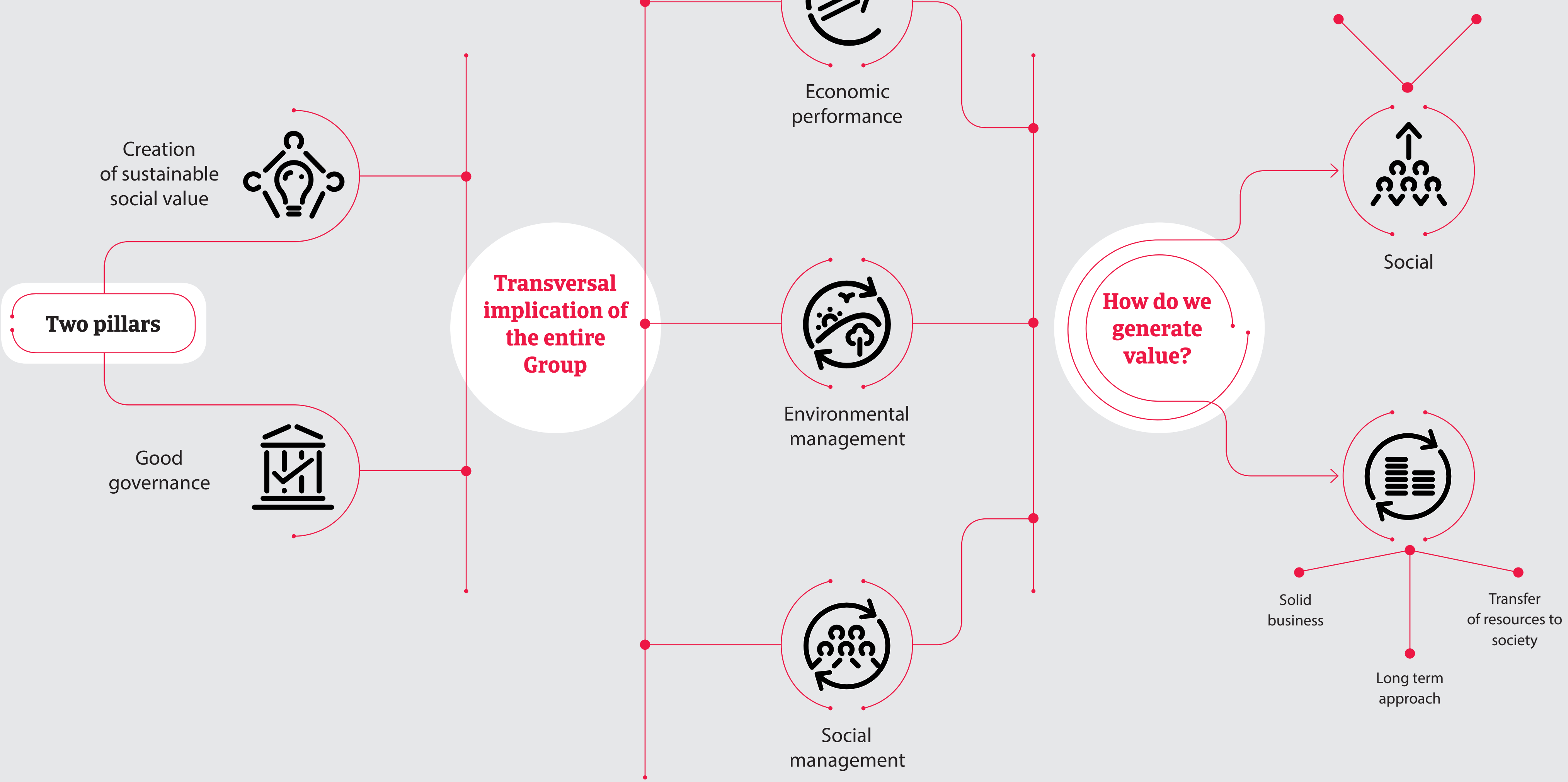
Commitment with the groups of interest

In constant dialogue

An identified and committed group

07

Corporate responsibility at Grupo Catalana Occidente



Corporate responsibility strategy

The corporate responsibility strategy of Grupo Catalana Occidente is the framework under which the companies develop their business with the criteria of creating value for society, ethics, transparency and commitment to legal compliance. It is built upon two pillars: the creation of sustainable social value and good governance.

Under the strict supervision of the board of directors, responsible for establishing and guiding the corporate responsibility strategy, its management is transversal and involves all business areas and entities of the group in its three dimensions:

- **Economic performance**
  The Group bases its activity on three strategic pillars: growth, profitability and solvency, generating value for the groups of interest.
- **Environmental management**
  The Group makes an effort to spread a culture of respect for the environment through the implementation of policies for the efficient consumption of resources and minimisation of the generation of waste.
- **Social management**
  The Group's work focuses on people, both those that collaborate and work in its companies and those that receive its services or live in the same surroundings, materialising in specific measures that contribute to social and economic improvement.

Cultural keys of Grupo Catalana Occidente

One of the milestones in 2016 was the start of the Culture Project, where the first objective was to identify the cultural keys of Grupo Catalana Occidente. These keys define the common values that explain the Group's way of being and doing and that of their entities, in a global manner, transcending corporate responsibility.

- People: we believe and trust in people.
- Commitment: we are committed to what we do.
- Austerity: we avoid the unnecessary.
- Long-term vision: we use sustainable management.
- Self-criticism: we are demanding with ourselves.
- Innovation: we assume new challenges.

Frameworks of application of corporate responsibility

In order to guarantee correct deployment of the corporate responsibility strategy, Grupo Catalana Occidente develops instruments for transposition to the internal and external areas.

On an internal level, Grupo Catalana Occidente has a Code of Ethics that includes the values applicable to its relationship with all of the interest groups:

- Integrity and honesty.
- Impartiality.
- Transparency.
- Confidentiality.
- Professionalism.
- Corporate responsibility.

There are also a series of internal regulations that ensure adequate compliance with the corporate responsibility strategy of the company:

- Protocol for criminal enforcement manager.
- Protocol for action in cases of irregularities and fraud.
- Protocol for action for receipt of judicial documentation.
- Procedure Manual for selecting suppliers.
- Protocol for action in cases of receiving an inspection.
- Protocol for detecting conflicts of interest with entities in the public sector.

On an external level, Grupo Catalana Occidente adheres to the United Nations Global Compact, a voluntary initiative through which companies commit to aligning their strategies and operations with ten universally accepted principles in four areas: human rights, labour standards, the environment and corruption. Under the framework of this adhesion, the Group published a progress report in May 2016.

The company is also aware of the important role that it plays in advancing the objectives of sustainable development defined by the UN in September 2015. Through its activity, it promotes aspects such as economic growth and progress, equal opportunity, quality education or energy efficiency.

In Spain, the companies of the Group participate in the following industry associations in order to reach the objective of continuous improvement:

- ICEA (Cooperative Research between Insurance Entities and Pension Funds): promotes, among other things, the study of the development of corporate social responsibility in the industry, which this year included the proactive collaboration of Seguros Catalana Occidente and Plus Ultra Seguros.

- UNESPA (Insurance Business Association): through the Social report of Insurance, including data for all companies in the Group.

This participation includes work groups, seminars and the adhesion to best practice guidelines on topics as diverse as corporate governance, internal control, the Internet, commercialisation, claim resolution, payment protection, auto, multi-risk, etc.

Creation of value

The vocation of Grupo Catalana Occidente is to create a solid business and generate sustainable social value. Social value is the result of focusing the activity not only on obtaining good financial results but also on favouring the well-being of the people that form part of the interest groups and society as a whole. The Group also aims for this value to be sustainable, considering not only the short and medium term but also the long term.

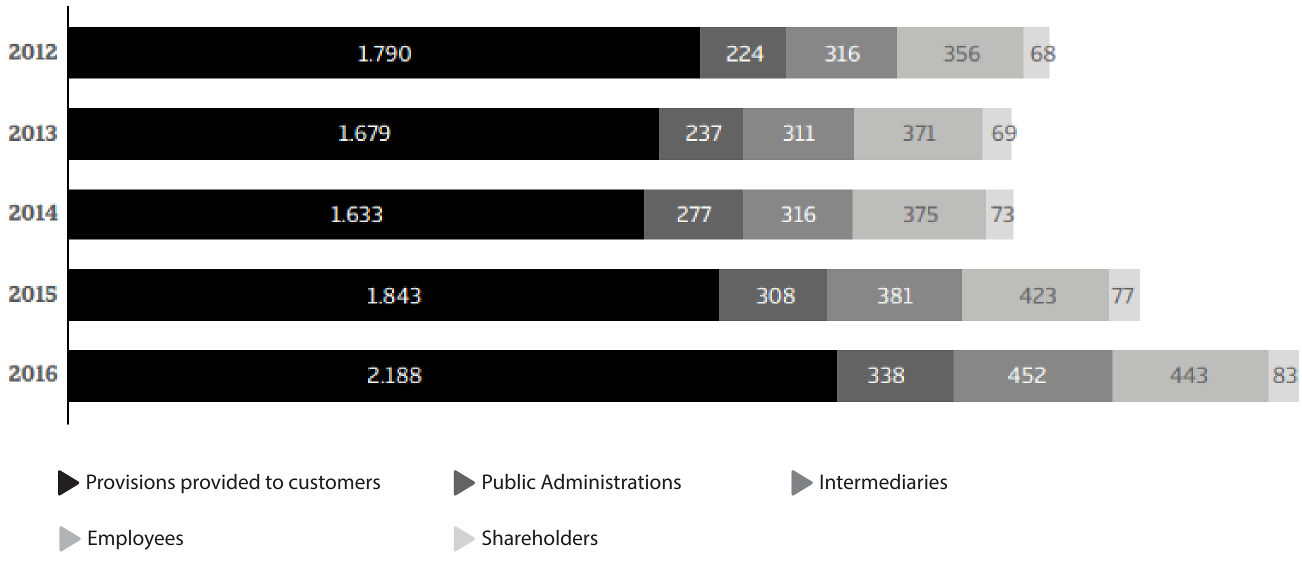
Grupo Catalana Occidente generates sustainable social value through its normal activity and its social actions, supported by Fundación Jesús Serra.

For over 150 years of history, the Group has accredited its vocation to last over time and has not stopped growing, generating employment and economic well-being in its surroundings. All of the companies operate under this same model, favouring the transfer of economic resources to society beyond the relationship with policyholders.

The Group's creation of value is based on its commitment to return to society part of what it has received from the same over a century and a half through Fundación Jesús Serra, focusing its social action on four axes: music and poetry, research and teaching, sports and charity.

(further information on page 64)

Resources transferred to society



Identification with groups of interest

Grupo Catalana Occidente develops a socially responsible management, integrated to its strategy, in constant dialogue with the interest groups.

- **Employees**: the most important asset.
- **Customers:** central link in the business.
- **Shareholders and investors:** key piece for sustainability.
- **Distributors**: consisting of the network of intermediaries that includes agents and brokers
- **Associates and suppliers:** standard group consisting of experts, doctors, lawyers, etc.
- **Society:** this includes the entirety of public opinion, the media and Public Administrations.
- **Environment**: the public is committed to its preservation

One of the guidelines of the Strategic plan for 2016 is to understand and adapt to social changes. This commitment is also applicable to the relationship with each of the interest groups, which must be based on trust and the generation of mutual value.

The Code of Ethics at Grupo Catalana Occidente includes the transversal principles that guide all interactions with the interest groups, assuming specific commitments with each one.

Specific commitments with the groups of inter-

Employees
Equal opportunities, fair pay and permanent training.

Customers
Develop competitive products, personal advice and service excellence.

Shareholders and investors
Offer an attractive return on investment by carrying out prudent risk management, transparency of information and development a long term strategy.

Distributors / intermediaries
Continued support for professional development, equal remuneration and treatment, providing trust and security.

Associates and suppliers
Objectivity, impartiality, transparency and equal treatment.

Society
Proactive cooperation with entities in the insurance sector and other associations. Make a charitable contribution through Fundación Jesús Serra.

Environment
Encourage awareness and respect for the environment.

Employees

Grupo Catalana Occidente has doubled its staff numbers since the year 2000, as a consequence of a growth policy through acquisitions that implies, on a human resources level, the incorporation of new companies and a great challenge for people management, while productivity and efficiency have improved.

In this context, the "Culture" project which was started in 2016 defines the people that integrate the Group as one of its pillars. At a practical level, this translates into the development of a socially responsible employment policy.

One of the main objectives for 2016 was to identify the corporate culture through a questionnaire open to staff participation based on the result of interdepartmental work lasting several months. The resulting keys (people, commitment, austerity, long term vision, self-criticism and innovation) and their assessment were presented at executive meetings that took place in the month of October.

Also, in order to improve efficiency and to preserve employment stability, the Group continued working on optimising its organisational structure through the consolidation of common service platforms, such as document, claim and customer service management.

Equal opportunities and conciliation

In 2016 there was progress in establishing common conditions for all employees, including the standardisation of the executive remuneration policy, salary management, the implementation of the equality plan in all companies or the existence of schedule flexibility formulas or accumulation of hours for future free disposition.

At the formal level, there is an Equality plan and a Protocol for the prevention and management of sexual harassment due to gender and moral harassment, both applicable to the entire Group.

In relation to disability, compliance with LISMI (Act for the social integration of the disabled) is assumed in different ways at the Group companies. Seguros Catalana Occidente, NorteHispana and GCO Contact Centre AIE comply with the requirement of hiring disabled employees as 2% of their personnel, while the rest opt for a more mixed formula between this integration and financial support for Special Employment Centres, having obtained the corresponding exceptional authorisation.

Professional development and training

The training actions aimed at professional development have been maintained and a plan for talent management has been drafted. This plan consists of an integral view of professional development in the organisation to:

- Promote the development and retention of talent in the group of executives.
- Reinforce professional development and training actions in technical roles.
- Begin actions aimed at retaining knowledge in the senior group.

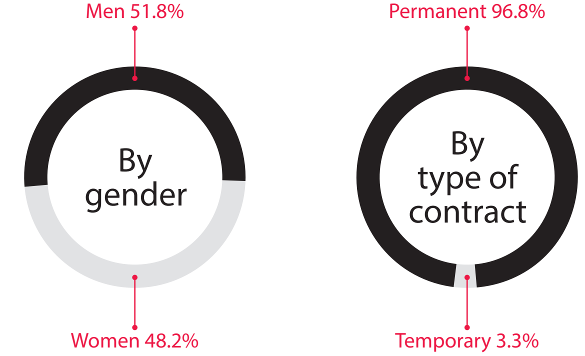
In 2016, the 4th edition of the Corporate Development Program ended, which included participation from personnel with a technical profile and recently hired by the company, with the objective of contributing a global view of the organisation and strengthening the interrelationship between different companies in the Group.

Risk prevention

The companies of Grupo Catalana Occidente have implemented a prevention department in accordance with the labour regulations in force, opting for a preventive modality in accordance with the organisational criteria and risks of the activity. All of these are within the period of coverage from the last audit performed, which certified compliance with the provisions of regulations for the Prevention of Occupational Risks.

At the corporate level, a joint prevention department has been created that includes most of the insurance companies in the Group, which allows for more standardised management. The entities that are not under this department maintain their own outsourced service, following to efficiency and speciality criteria.

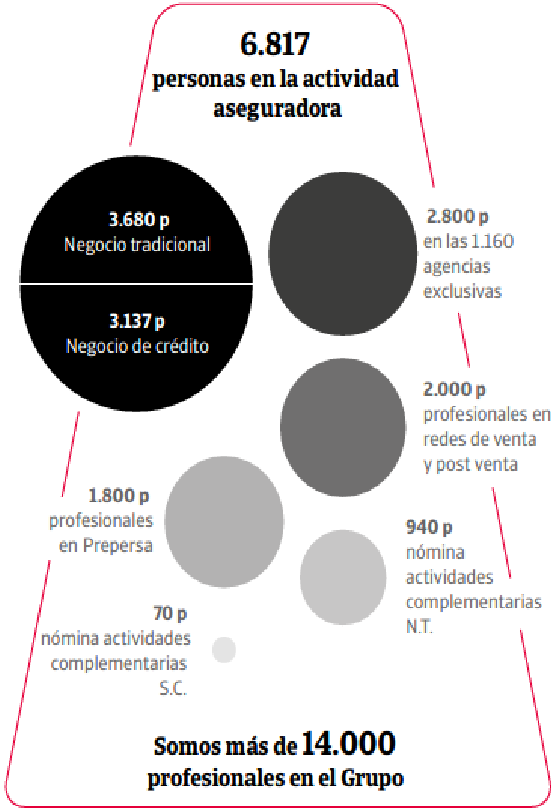
Staff composition



*Consolidated data of the Group, including Atradius Crédito y Caución.

Quality employment
94% salary above €25,000

Human capital of Grupo Catalana Occidente



Training

Hours	Attendees	Course types
145,298	33,429	52% internal training 48% external training

*Includes Atradius, Seguros Catalana Occidente, Seguros Bilbao, NorteHispana Seguros, Plus Ultra Seguros, Crédito y Caución, Iberinform, Prepersa.

Customers

The main objective of the relationship between the companies of Grupo Catalana Occidente and its over four million customers is to offer competitive products and quality service, based on personal, transparent and complete advice. The Group is also committed to provide policyholders with simplified and clear information, as well as to clear up any doubts they may have about the content of their policies and services, or in the case of an incident.

Beyond rigorous compliance with regulations and its demanding requirements, the companies of the Group increase their self-demand by adhering, for example, to the Guide for Best Practices for Transparency in the Commercialisation of Insurance and the Guide for Best Practices in Internal Control of UNESPA.

Customer service

In 2016, the companies of the Group received, through their customer service channels, a total of 3,704 claims, without including those relative to Atradius, which represents a reduction of 6% compared to 2015. 91% were admitted for investigation, with 25% being resolved in favour of the customer, 30% reaching another agreement and 45% being in favour of the entity.

Customer experience project

The main objective of this project is to create a customer-centred culture throughout the entire organisation. It aims to understand customers and their needs, measuring their opinion in all phases of the so-called "Customer Journey" in order to guarantee an optimal, consistent and uniform experience, regardless of the contact channel used and aided by innovative tools.

Conceived as a long-term project, in 2016 the analysis and diagnosis phase was closed with the performance of 80 interviews with customers, agents and employees that gave way to the development phase, where the indicators for measurement and initiatives for improvement were defined. These initiatives were grouped into four axes:

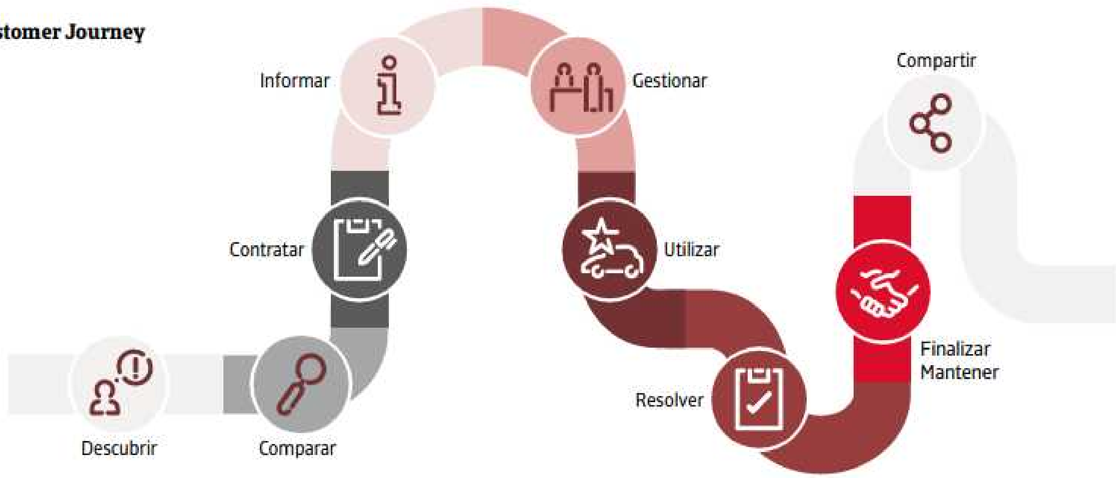
- Customer experience
- Communication and channels
- Claim management
- Commercial system

Credit insurance companies

Atradius Crédito y Caución
92.2% Customer retention rate

Customer retention rate. Source: Atradius

Customer Journey



Traditional insurance companies

LPS
34.8%
Level of promotion suggested
(advocates - opponents)

PER
92.1%
Customer intention to remain
>=3 years

LCS
83.7%
Level of company satisfaction
(satisfied - unsatisfied)

SSR
64.2
Service satisfaction rate
(satisfied - unsatisfied)

Shareholders and investors

The Board of Investors of Grupo Catalana Occidente has the strategic objective of providing permanent attention to the relationships with shareholders and investors, which develop in conformance with the principles of good governance, responsibility, priority of social interest, equal treatment, transparency, veracity and fluid and permanent dialogue.

Grupo Catalana Occidente avails of various communication channels in order to guarantee the quality and frequency of its relationship with the institutional investors and shareholders:

- Grupo Catalana Occidente Website.
- General Commission for the Securities Market Website.

Two specific areas of the organisation attend requests from the institutional investors and shareholders, their proposals and expectations in relation to the individualised and personal management. Specifically, one of these areas includes the relationship with the financial and stock exchange analysts, as well as the rating agencies, the opinions and reports from which have an influence on the decision making process of the institutional investors and the creation of the share price. The unit also ensures that the share price reflects the value of the company, an important function as it is the instrument, together with the dividends, that provides profitability for shareholders and investors.

To facilitate a fluid and effective relationship, an intense program is carried out, based on:

- Periodic meetings for result monitoring.
- Roadshows in the main cities with potential investors.
- Retransmission of results and other corporate events.
- Participation in investment forums.
- Telephone service for consultations.

The policy for communication and contact with shareholders,

Intermediaries

The professional distribution network of the companies of Grupo Catalana Occidente consists of exclusive agents, brokers and specialist teams with ample capillarity in Spanish territory. The intermediaries enter into contact with the customers, generating trust, understanding their individual needs and contributing value through their professionalism and closeness.

The objective for all commercial areas in 2016 was compliance with the general strategic guideline of promoting the development of the distribution network.

Seguros Catalana Occidente

We can highlight the Dynamic Plan for the promotion and expansion of agency offices through initiatives such as the increase of sales teams in all territories, the development of management training, the planning of continuity in offices without relay, as well as promotion of the activity and regularity of sales with specific products and ad-hoc marketing actions in order to increase customer traffic to offices.

Plus Ultra Seguros

In 2016, the company developed the connectivity project with insurance brokers. The objective is to facilitate daily management of the business between the company and intermediaries, automating administrative tasks that were previously manual and centralising the operation into a single tool that connects the broker to the insurer for the processes relating to quotes, issuance, collection, policy management, renewal and claims management.

Seguros Bilbao

A project to improve professionalism of the company's agencies has been developed, divided depending on the problematic dimension and specific needs. For each group, a specific support plan has been designed with investments in promotional media, personalised training, development of commercial planning and customer selection, among other initiatives.

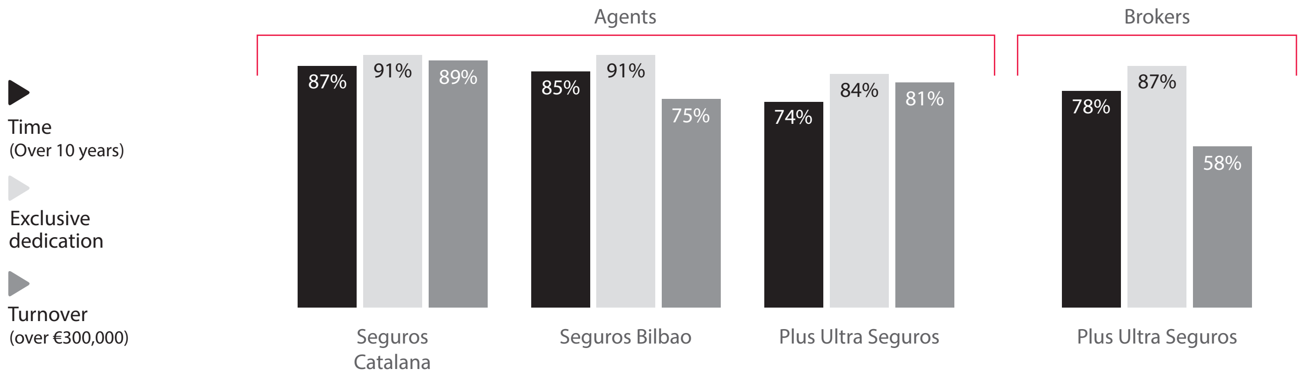
NorteHispana Seguros

Integral training has been promoted for service visits performed by portfolio agents, with content adapted to the novelties of each product. The objective of this program is to further strengthen closeness to the customer and to achieve portfolio loyalty. Both elements are the cornerstones of the company's commercial policy.

Atradius Crédito y Caución

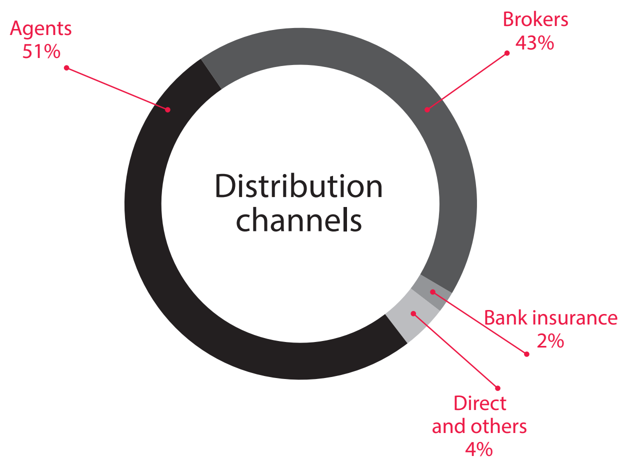
The commercial network of Atradius Crédito y Caución is reinforced after the assumption of total control of Graydon, a reputed commercial information supplier in the Netherlands, Belgium and the United Kingdom. On the other hand, the Atradius Business Transformation 2.0 project has been launched, which will imply the redesign of the work processes, including the sales processes.

Intermediary professionalism



Source: Opinion Study of the Exclusive Agent and Broker: Satisfaction and Loyalty, ICEA 2016

Distribution channels of Grupo Catalana Occidente



Intermediary satisfaction

Grupo Catalana Occidente has carried out measurement of the level of satisfaction among its mediators in its traditional insurance companies Seguros Catalana Occidente, Seguros Bilbao and Plus Ultra Seguros, through the Opinion Study of the Exclusive Agent and Broker carried out by ICEA in October 2016. The concepts surveyed include the evaluation of products and services of the company, support for the commercial work, computer support, training and information, contact personnel, customer service and processing of claims.

In the case of Seguros Catalana Occidente and Seguros Bilbao, the exclusive agents, the priority channel, were the object of the measurement, with an average level of 83%, several points ahead of the sector average which is at 75%.

It is worth mentioning that Seguros Bilbao is positioned above the total of entities analysed, with the best evaluation and rising six positions since 2015.

For its part, Plus Ultra Seguros maintains the level of satisfaction with its brokers, its preferred channel, with a level of 57%, a figure that is in line with the average of the total of entities analysed.

Associates and suppliers

Grupo Catalana Occidente companies work with two types of suppliers:

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

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

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

Supplier management

Prepersa (Peritación de seguros y prevención AIE) is the company of Grupo Catalana Occidente that manages specialised suppliers, except for lawyers, that intervene in the general insurance areas.

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

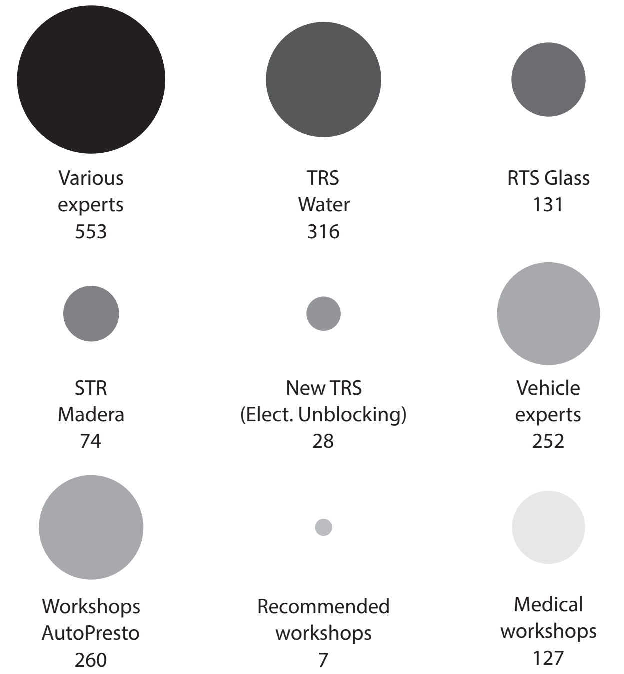
In 2016, we can highlight the completion of the integration plan of the professional networks of Plus Ultra Seguros into Prepersa that, as a consequence, managed a total of 269,397 assignments from this company. Furthermore, a project is being developed for new networks for the Technical Repair Service (STR) in order to tend to new types of assignments (electrical damage and unblocking), which is already operative in some territories for Seguros Catalana Occidente, Seguros Bilbao and Plus Ultra Seguros. The coverage of these new services has implied the inclusion of 356 associates this year, integrated into the network after passing a rigorous selection process.

Boost for local companies

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

Average payment period for suppliers

The Group does not have pending payments to suppliers beyond the legal deferral allowed. For more information see note 20e of the notes on the consolidated financial statement.



Total 1,748 ↑ 1 2 8 ↓ 3 5 6

Compliance and satisfaction rates

92% compliance appointments

91% customers satisfied with the service AutoPresto

86% customers satisfied with the TRS service

Society

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

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

In parallel, its social action is carried out through Fundación Jesús Serra. Its budget in 2016 was €1.8m.

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

Fundación Jesús Serra

Fundación Jesús Serra is the institution through which the social action of Grupo Catalana Occidente is channelled. Founded in 1998, its activities faithfully follow the humanistic values of its founder, Jesús Serra, supporting initiatives in the areas of music and poetry, research, teaching, sports and charity.

Music and poetry

The support for culture is based on the promotion of two of its main manifestations: music and poetry. The foundation collaborates with the María Canals International Piano Competition, one of the most relevant on a global scale, sponsoring the Spanish tour for the winner of each edition. In parallel, it organises the Pianos in the Street initiative, which consists of placing these instruments in various cities in order to promote learning and interest in music. In 2016, seven grand pianos were placed in the main streets of Madrid, Barcelona, Salamanca and Cadiz.

For their part, in 2016, 950 poems by young writers from 28 countries participated in the Poetry Competition, a figure which increases each year.

Fundación Jesús Serra
Catalana Occidente

Acciones y colaboraciones por colectivo beneficiado

Discapacitados y/o con enfermedades graves

- Femarec
- Apadema torneo de pádel
- Fundación deporte y desafío
- Federación Española de Deportistas Discapacitados Físicos (FEDDF)
- Fundación Pequeño Deseo
- Fundación Abracadabra

Colectivos desfavorecidos

- Médicos sin fronteras
- Manos Unidas
- Fundación Balia
- Banco de alimentos proyecto teaming
- Banco de alimentos Tenerife
- Centro Santiago Masarnau
- Oxfam Trailwalker

Becas de estudios/ formación para niños y jóvenes

- Torneo Tenis FJS
- Campeonato de Esquí FJS
- Fundación ESADE
- África digna
- Fundación Prevent
- Deusto Business
- Dentistas sobre ruedas
- Fundación Pau Casals
- Programa de investigadores visitantes (CNIO,CNIC,IAC)
- Comfuturo

Research and teaching

The Visiting Researchers program by Fundación Jesús Serra developed in collaboration with the National Cardiovascular Research Centre (CNIC), the National Oncological Research Centre (CNIO) and the Astrophysics Institute of the Canary Islands (IAC), consists of procuring the attendance of visiting researchers of high prestige at these entities, with the objective of strengthening the scientific relationship of the host research group with the group from the original centre of the visiting researchers, as well as to initiate new lines of action derived from the generation of common scientific interests.

We can also highlight the participation in the Comfuturo project, led by the CSIC Foundation, which seeks to promote employment among young researchers, helping them to complete their studies and thus to form part of the research community in Spain, preventing the emigration of talent.

In 2016, the boost for teaching took shape in the provision of university scholarships in Abat Oliba CEU for the schools that won the school tennis tournament by Fundación Jesús Serra and in important business schools such as ESADE or Deusto Business.

Sport

In the area of promoting sports among children and young people, we can highlight the traditional Skiing championship by Fundación Jesús Serra, which is celebrated in the winter station of Baqueira Beret, with prizes consisting of assistance bags for winners.

Charity

Sports and charity came together to support the disabled tennis players Quico Tur and Lola Ochoa, that formed part of the Spanish delegation to the Paralympic Games in Rio de Janeiro in the month of September. Contributing to improving the education of those that need it most, Fundación Jesús Serra provides, as part of the Dignified Africa project, scholarships for girls in Kenya so that they can complete their studies and then get a job to maintain themselves and to help their families and their community.

In 2016, new projects were launched, such as the Milky Way, together with Fundación Olvidados, to provide infant milk to children between 0-3 years from families with no economic means.

Promotion of internal participation

Fundación Jesús Serra plays an important role in the construction of a common culture for Grupo Catalana Occidente, facilitating the meeting and participation of employees from all of the companies in different programs and events. It should be noted that 17 teams participated in Trailwalker Oxfam 2016, with editions in Girona, Euskadi and Madrid.

Aimed at families, a charitable magic festival was also held close to Christmas, an event that in two years has exceeded a thousand attendees.

Environment

The environmental impact of the normal operations of Grupo Catalana Occidente is limited. However, the companies are committed to reducing the generation of waste, promoting the use of biodegradable materials and recycled paper, optimising energy consumption, using water rationally and, as much as possible, reusing equipment through donations.

The maintenance and rehabilitation of the Group's buildings is subject to principles of energy efficiency, with the objective of reducing consumption and CO2 emissions. These projects also incorporate plans to use residual and phreatic rain water, the installation of solar panels and hot water, the lighting of common areas through LED technology and gardening with reduced irrigation requirements, just to name a few. These actions have been able to reduce the energy consumption of the Group's principal buildings by over 50%.

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

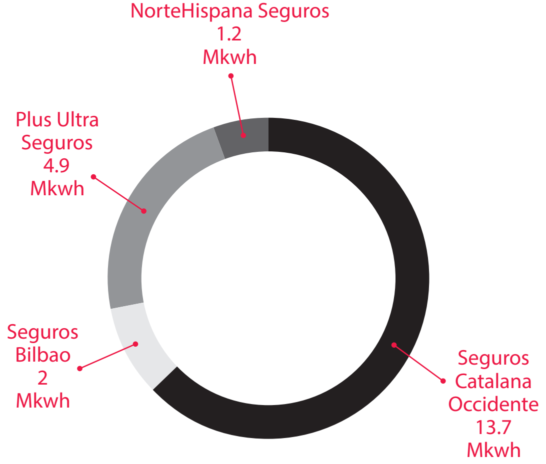
Waste management

The Group has standards for recycling office materials at the various offices and branches that are of general application. As well as processing this type of waste, the destruction and recycling of documents with confidential information is being considered.

Atradius

The materiality study of Atradius focused a significant part of its results on environmental issues, resulting from the sensitivity to this issue which is characteristic in the Netherlands and northern Europe in general. For this reason, the company has a reporting system for environmental indicators that is applied to the more 50 countries in which it is present. Excellence in this area is considered a best practice that could be extended to the rest of the Group in the near future.

Kwh consumption 2016



Innovation

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

This concept of customer-oriented innovation is developed on three axes:

- Higher efficiency in the processes to improve the service.
- Higher personalisation of offerings to achieve better adaptation.
- Promotion of multi-channel methods in order to be more accessible.

The Group has a Customer experience committee that works on three levels: strategic, tactical and operative. This group is responsible for including customer experience initiatives in the action plans for the different areas of the companies and of the Group itself.

In 2016, the promotion of higher personalisation of products and services materialised in the launch of:

- Adaptable insurance for businesses and offices from Plus Ultra Seguros, flexible depending on the actual needs of each business.
- The specialised services of NorteHispana Seguros, such as the online will or digital removal.

Using a multitude of channels as a business strategy implies being present and available wherever the customer wants to establish contact with the companies, either for information or to operate with their contracted products in a simple and fluid manner.

Among the projects to improve accessibility:

- Prepersa launched an app for assessment of repair technicians and experts in situ, in front of the customer, that allows for considerable time saving and better management.

- For the credit insurance, Iberinform also presented a multi-device tool for commercial prospecting and seeking new customers for companies.

- The common platforms for technology, claim management and contact centre were consolidated, optimising and simplifying our internal processes in order to offer the best attention possible to customers at all of the companies.

- The intermediaries received the necessary accompaniment in order to adapt to the demands of an increas-

Glossary

Term	Definition	Formulation
Technical result	Result of the insurance activities	**Technical result** = Income from insurance – Technical cost – Commissions - Expenses
Reinsurance result	Result from transferring business to the reinsurer or accepting business from other entities.	**Reinsurance result** = Reinsurance accepted result + Reinsurance granted result
Financial result	Result from financial investments	**Financial result =** Income from financial assets (coupons, dividends, profits) - financial expenses (commissions and other expenses) + result of subsidiary companies - accrued interests from debts - interests paid to the policyholders of life insurances
Technical/financial result	Result of the insurance activities including the financial result. This result has been specially relevant in life insurances.	**Technical/financial result =** Technical result + Financial result
Result of non-technical non-financial account	Income and expenses that cannot be assigned to technical or financial results.	**Result of non-technical/non-financial account=** Income - expenses that cannot be assigned to technical or financial results.
Result of complementary credit insurance activities	Result of activities that cannot be assigned to the specific insurance business. The following activities can be observed: · Information services · Debt collection · Management of exports of the Dutch governement.	**Result of complementary credit insurance activities=** income - expenses
Recurring result	Result from the usual operating activity	**Recurring result =** technical/financial result + result from non-technical account - taxes, all from the usual operating activity
Non-recurring result	Extraordinary or atypical movements which can detract from the analysis of the income statement. They are classified by their nature (technical, expenses and financial) and by business type (traditional business and credit insurance)	**Non-recurring result =** technical/financial result + result from non-technical account - taxes, all from extraordinary or atypical movements.

Turnover	The turnover is the trade volume of the Group. It includes premiums generated by the Group in each of the business lines and income from services related to the credit insurance.	**Turnover =** Invoiced premiums + Income from information **Invoiced premiums =** written premiums of direct insurance + accepted reinsurance premiums
Funds under management	Amount of financial and property assets managed by the Group	**Managed funds =** Financial assets and property assets, risk to entity + Financial assets and property assets, risk to policyholders + managed pension funds **Managed funds =** fixed income + variable income + real estate + deposits with credit institutions + cash + investee companies
Financial strength	Shows the debt and solvency situation. It is measured using the debt ratio, the interest coverage ratio and the rating.	**Debt ratio =** net equity + debt **Interest coverage ratio debt =** result before tax/interests
Technical cost	Direct costs from claims cover. See claims.	**Technical cost** = total claims - claims borne by reinsurers + reinsurance cost + increase in technical provisions
Dividend yield	Dividend yield show the relationship between the dividends paid over the year and the share value at year-end closure. Measure used to value the shares of an entity	**Dividend yield** = dividend paid per share over the year / share value at year-end closure
Modified durations	Sensitivity of assets value to movements in interest rates.	**Modified durations=** Represents an approximation to the value of the percentage change in the value of financial assets for each percentage point (100 basis points) of variation in interest rates.
Expenses	General expenses include the costs to manage the business excluding those attributable to claims.	**Expenses =** staff costs + commercial expenses + services and other expenses (allowances, training, awards, material and other office expenses, rentals, external services, etc.)
Retention level	Measures customer expectations to continue with the entity Scale from less than 1 year to more than 5 years	**Retention level=** How long do you expect to remain as customer of our entity?
Satisfaction level	Measures the overall satisfaction of customers with the entity Scale of 1 to 10	**Overall satisfaction level** = (Satisfied – unsatisfied) / respondents Satisfied customers are those that provided an answer from 7 to 10 Unsatisfied customers are those that provided an answer from 1 to 4

Service satisfaction level	Measures service satisfaction level. Scale 1 to 10	**Service satisfaction level** = (Satisfied – unsatisfied) / respondents Satisfied customers are those that provided an answer from 7 to 10 Unsatisfied customers are those that provided an answer from 1 to 4
Income from insurance	Term used in the credit insurance business Measures income from the main acivity of the credit insurance entity	**Income from insurance =** earned premiums + income from information
Shares in associate entities/subsidiaries	Entities, other than subsidiaries, over which the Group has significant influence	**Shares in associate entities/subsidiaries =** book value of the investment
Net Promoter Share NPS		**Net Promoter Share =** Would you recommend our company to your family and friends? = (advocates - opponents)/ surveyed Advocates: responses with result equal to 9 or 10 Opponents: responses with result from1 to 6
Pay out	Ratio that indicates the part of the result distributed to the investors via dividends	**Pay out** = dividend distributed during the year / attributed result
Price Earnings Ratio PER	The price-earning ratio or PER measures the relationship between the price or value of the entity and the results. Its value expresses what the market pays for each monetary unit of results. It is representative of the entity's capacity to generate results.	**PER =** Market price of the share / attributed result per share
Ex. single premiums	Total premiums without considering the non-periodic premiums of the Life business	**Ex. single premiums =** Premiums invoiced - single premiums of the life business
Technical provisions	Amount of the obligations assumed that are derived from the insurance and reinsurance contracts.	
Combined ratio	Indicator that measures the technical profitability of the Non-Life insurances.	**Net combined ratio** = ((Claims + increase in technical provisions) + Commissions + Expenses) / Income per insurance
Net combined ratio	Indicator that measures the technical profitability of the Non-Life insurances net of the reinsurance effect.	**Net combined ratio** = ((Claims - claims covered by the reinsured party + reinsurance cost + technical provision increase) + Commissions + Expenses) / (Income per insurance - Earned premiums transferred to reinsurance)
Expenses ratio	Ratio that reflects the part of the income per premium dedicated to expenses.	**Expenses ratio** = Expenses / Income per insurance

Net expenses ratio	Ratio that reflects the part of the income per premium dedicated to expenses net of the reinsurance effect	**Expenses ratio** = (Expenses - commission of the transferred reinsurance) / (Income per insurance - Insurance premiums ceded to reinsurers)
Claims ratio	Business indicator, consisting of the proportion between claims and earned premiums.	**Claims ratio** = ((Claims + increase in technical provisions) / Income per insurance –Insurance premiums ceded to reinsurers)
Net claims ratio	Business indicator, consisting of the proportion between claims and earned premiums net of the reinsurance effect.	**Net claims ratio** = ((Claims - claims covered by the reinsured party + technical provision increase) + Commissions + Expenses) / (Income per insurance - Earned premiums transferred to reinsurance)
Permanent resources	Resources assimilable to own funds.	**Permanent resources =** Net equity + Subordinate debt
Permanent resources at market value	Resources assimilable to own funds at market value	**Permanent resources at market value =** Net equity + Subordinate debt + capital gain not included in balance
Resources transferred to society	Amount that the Group returns to the principal groups of interest.	**Resources transferred to society =** claims paid + taxes + commissions + personnel expenses + dividends
Return On Equity **ROE**	Financial profitability or return rate Measures the capital performance	**ROE** = Attributed result / Net attributed equity
Claims	See technical cost Economic evaluation of claims.	**Claims** = Payment for claims + Variation of the provision for services
Total Potential ExposureTPE	This is the potential exposure to risk, also "cumulative risk".Term of credit insurance business	**TPE =** the sum of the credit limits subscribed by the Group in each "buyer"

Glossary

Net expenses ratio	Ratio that reflects the part of the income per premium dedicated to expenses net of the reinsurance effect	**Expenses ratio** = (Expenses - commission of the transferred reinsurance) / (Income per insurance - Insurance premiums ceded to reinsurers)
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Net claims ratio	Business indicator, consisting of the proportion between claims and earned premiums net of the reinsurance effect.	**Net claims ratio** = ((Claims - claims covered by the reinsured party + technical provision increase) + Commissions + Expenses) / (Income per insurance - Earned premiums transferred to reinsurance)
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Consolidated Financial Statements
Grupo Catalana Occidente

GRUPO CATALANA OCCIDENTE, S.A. AND SUBSIDIARIES
(Grupo Catalana Occidente)
CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2016
AND DECEMBER 31, 2015 (Notes 1 to 3)

(Figures in Thousands of Euros)

ASSETS	Note	31.12.2015 (*)		31.12.2016	
1. Cash and cash equivalents			609.733		1.036.622
2. Financial assets held for trading	6.a.		-		56
3. Other financial assets at fair value through profit or loss	6.a.		297.099		362.698
a) Equity instruments		57		5.022	
b) Debt securities		-		46.843	
c) Investments held for the benefit of policyholders who bear the investment risk		297.042		310.833	
4. Available-for-Sale financial assets	6.a.		8.035.504		8.115.880
a) Equity instruments		1.487.278		1.385.127	
b) Debt securities		6.383.505		6.519.103	
c) Loans		121		100	
d) Bank deposits		164.600		211.550	
5. Loans and receivables			1.239.641		1.178.441
a) Loans and other financial assets	6.a.	424.279		334.032	
b) Receivables	6.b.	796.729		822.620	
c) Investments held for the benefit of policyholders who bear the risk	6.a.	18.633		21.789	
8. Reinsurer participation in technical provisions	13		1.002.119		895.122
9. Property, plant and equipment and investment property			553.104		698.165
a) Property, plant and equipment	8.a.	274.403		300.127	
b) Investment property	8.b.	278.701		398.038	
10. Intangible assets			826.360		912.970
a) Goodwill	9.a.	704.289		774.838	
b) Policy portfolio acquisition costs	9	5.247		5.242	
c) Other intangible assets	9	116.824		132.890	
11. Investment in entities accounted for using the equity method	7		99.013		62.898
12. Tax assets			172.358		168.869
a) Current tax assets	10.b.	76.282		77.818	
b) Deferred tax assets	10.c.	96.076		91.051	
13. Other assets	11		461.054		475.758
TOTAL ASSETS			13.295.985		13.907.479

(*) 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 2016.

GRUPO CATALANA OCCIDENTE, S.A. AND SUBSIDIARIES
(Grupo Catalana Occidente)
CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2016
AND DECEMBER 31, 2015 (Notes 1 to 3)

(Figures in Thousands of Euros)

	NET LIABILITIES AND EQUITY	Note	31.12.2015 (*)		31.12.2016	
	TOTAL LIABILITIES			10.710.138		11.072.780
2.	Other financial assets at fair value through profit or loss			-		-
3.	Debits and payables			818.953		852.329
	a) Subordinated liabilities	12.a.	211.821		204.927	
	b) Other payables	12.b.	607.132		647.402	
5.	Technical provisions	13		9.074.320		9.351.021
	a) For unearned premiums		1.205.607		1.246.864	
	b) For unexpired risks		9.515		6.073	
	c) For life insurance					
	- Provision for unearned premiums and unexpired risks		24.656		25.339	
	- Mathematical provision		4.775.532		5.050.747	
	- Provision for life insurance where the investment risk is borne by policyholders		315.675		332.622	
	d) For claims		2.717.353		2.639.009	
	e) For policyholder dividends and return premiums		7.043		6.495	
	f) Other technical provisions		18.939		43.872	
6.	Non-Technical Provisions	14		161.130		186.422
7.	Tax liabilities			378.461		375.003
	a) Current tax liabilities	10.b.	49.548		34.725	
	b) Deferred tax liabilities	10.c.	328.913		340.278	
8.	Other Liabilities			277.274		308.005
	TOTAL NET EQUITY			2.585.847		2.834.699
	Equity			1.773.341		1.959.209
1.	Capital	15.a.		36.000		36.000
2.	Share Premium Account	15.b.		1.533		1.533
3.	Reserves	15.b.		1.515.709		1.677.274
4.	*Minus:* Treasury shares and participation units	15.c.		17.421		18.293
7.	Profit or loss for the year attributable to the parent company			268.120		295.599
	a) Consolidated profit or loss		296.143		324.505	
	b) Profit or loss attributable to minority interests	16	28.023		28.906	
8.	*Minus:* Interim Dividend	15.e.		30.600		32.904
	Other comprehensive income and accumulated in equity	15.g.		526.394		574.443
1.	Items that are not reclassified with the result from the period			-		-
2.	Items that can be recycled after the result from the period			526.394		574.443
	a) Available-for-sale financial assets		582.672		672.093	
	c) Exchange Differences		(4.430)		(7.306)	
	d) Correction of accounting mismatches		(52.617)		(93.603)	
	e) Entities accounted for using the equity method		769		3.259	
	f) Other adjustments		-		-	
	EQUITY ATTRIBUTABLE TO THE PARENT COMPANY			2.299.735		2.533.652
	MINORITY INTERESTS	16		286.112		301.047
1.	Other global accumulated result			(3.489)		(506)
2.	Rest (other)			289.601		301.553
	TOTAL NET EQUITY AND LIABILITIES			13.295.985		13.907.479

(*) 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 2016.

GRUPO CATALANA OCCIDENTE, S.A. AND SUBSIDIARIES

(Grupo Catalana Occidente)

CONSOLIDATED INCOME STATEMENTS CORRESPOND TO THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (Notes 1 to 3)

(Figures in Thousands of Euros)

	Note	Fiscal Year 2015 (*)	Fiscal Year 2016
1. Earned premiums for the year, net of reinsurance	17	2.098.422	2.483.180
2. Income from investments and property, plant and equipment and investments	17	120.615	131.622
3. Other technical income	17	181.030	203.167
4. Claims incurred in the year, net of reinsurance	17	(1.124.559)	(1.388.839)
5. Change in other technical provisions, net of reinsurance	17	(2.781)	(3.553)
6. Provision for policyholder dividends and return premiums		-	-
7. Net operating expenses		(789.139)	(900.426)
8. Other technical expenses	17	(11.238)	(12.459)
9. Expenses arising from property, plant and equipment and investments		(61.712)	(101.971)
A) NON-LIFE RESULT		410.638	410.721
10. Earned premiums for the year, net of reinsurance	17	869.158	852.480
11. Income from investments and property, plant and equipment and investments	17	204.087	240.778
12. Income from investments assigned to insurance policies in which policyholders bear the investment risk	17	30.214	26.035
13. Other technical income	17	4.539	4.424
14. Claims incurred in the year, net of reinsurance	17	(620.898)	(633.808)
15. Change in other technical provisions, net of reinsurance	17	(328.809)	(291.584)
16. Provision for policyholder dividends and return premiums	17	(701)	(1.480)
17. Net operating expenses		(69.680)	(73.163)
18. Other technical expenses		(1.229)	(1.563)
19. Expenses arising from property, plant and equipment and investments	17	(25.254)	(45.329)
20. Expenses of investments assigned to insurance policies in which policyholders bear the investment risk	17	(25.974)	(19.744)
B) LIFE INSURANCE PROFIT		35.453	57.046
C) PROFIT ON TECHNICAL ACCOUNT		446.091	467.767
21. Income from investments and property, plant and equipment		(1.788)	(3.952)
22. Negative goodwill		-	-
23. Expenses arising from property, plant and equipment and investments		(13.427)	(12.238)
24. Other income	17	13.789	18.765
25. Other expenses	17	(29.257)	(37.578)
E) PROFIT BEFORE TAX		415.408	432.764
26. Income tax	10.d	(119.265)	(108.259)
F) PROFIT FOR THE YEAR FROM ONGOING OPERATIONS		296.143	324.505
27. Profit for the year from discontinued operations, net of taxes		-	-
G) CONSOLIDATED PROFIT FOR THE YEAR		296.143	324.505
a) Attributable to equity holders of the parent		268.120	295.599
b) Profit attributable to minority interests	16	28.023	28.906

(Figures in Euros)

EARNINGS PER SHARE			
Basic	15.f	2,27	2,51
Diluted	15.f	2,27	2,51

(*) Presented solely and exclusively for comparison purposes where applicable.

The accompanying Notes 1 to 21 and Appendices I and II are an integral part of the Consolidated Income Statement for 2016.

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

(Figures in Thousands of Euros)

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

(Figures in Thousands of Euros)

NET LIABILITIES AND EQUITY	NON-LIFE SEGMENT		LIFE SEGMENT		OTHER ACTIVITIES SEGMENT		TOTAL	
TOTAL LIABILITIES		5.021.124		5.751.012		300.644		11.072.780
2. Other financial liabilities at fair value through profit or loss		-		-		-		-
3. Debits and payables		840.133		10.696		1.500		852.329
a) Subordinated liabilities	204.927		-		-		204.927	
b) Deposits received on buying reinsurance	57.300		1.870		-		59.170	
c) Liabilities from insurance operations	129.187		1.273		-		130.460	
d) Liabilities from reinsurance operations	133.291		3.486		-		136.777	
e) Liabilities from coinsurance operations	1.928		-		-		1.928	
g) Debts to credit institutions	611		-		1.500		2.111	
i) Other liabilities	312.889		4.067		-		316.956	
5. Technical provisions		3.812.574		5.538.447		-		9.351.021
a) For unearned premiums	1.246.864		-		-		1.246.864	
b) For unexpired risks	6.073		-		-		6.073	
c) For life insurance								
- Provision for unearned premiums and unexpired risks	-		25.339		-		25.339	
- Mathematical provision	-		5.050.747		-		5.050.747	
- Provision for life insurance where the investment risk is borne by policyholders	-		332.623		-		332.622	
d) For claims	2.515.765		123.244		-		2.639.009	
e) For policyholder dividends and return premiums	-		6.494		-		6.495	
f) Other technical provisions	43.872		-		-		43.872	
6. Non-Technical Provisions		113.508		-		72.914		186.422
7. Tax liabilities		148.727		46		226.230		375.003
a) Current tax liabilities	25.075		46		9.604		34.725	
b) Deferred tax liabilities	123.652		-		216.626		340.278	
8. Other Liabilities		106.182		201.823		-		308.005
TOTAL NET EQUITY		1.511.130		1.336.982		(13.413)		2.834.699
Equity		1.110.875		874.581		(26.247)		1.959.209
1. Capital		18.000		18.000		-		36.000
a) Registered capital	18.000		18.000		-		36.000	
b) *Minus:* Uncalled capital	-		-		-		-	
2. Share Premium Account		767		766		-		1.533
3. Reserves		838.637		838.637		-		1.677.274
4. *Minus:* Treasury shares and participation units		9.147		9.146		-		18.293
7. Profit or loss for the year attributable to the parent company		279.070		42.776		(26.247)		295.599
a) Consolidated profit or loss	307.976		42.776		(26.247)		324.505	
b) Profit or loss attributable to minority interests	28.906		-		-		28.906	
8. *Minus:* Interim Dividend		16.452		16.452		-		32.904
Other comprehensive income and accumulated in equity		99.208		462.401		12.834		574.443
1. Items that are not reclassified with the result from the period		-		-		-		-
2. Items that can be recycled after the result from the period		99.208		462.401		12.834		574.443
a) Available-for-sale financial assets	106.514		556.004		9.575		672.093	
c) Exchange Differences	(7.306)		-		-		(7.306)	
d) Correction of accounting mismatches	-		(93.603)		-		(93.603)	
e) Entities accounted for using the equity method	-		-		3.259		3.259	
f) Other adjustments	-		-		-		-	
EQUITY ATTRIBUTABLE TO THE PARENT COMPANY		1.210.083		1.336.982		(13.413)		2.533.652
MINORITY INTERESTS		301.047		-		-		301.047
1. Other global accumulated result		(506)		-		-		(506)
2. Rest (other)		301.553		-		-		301.553
TOTAL NET EQUITY AND LIABILITIES		6.532.254		7.087.994		287.231		13.907.479

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

(Figures in Thousands of Euros)

ASSETS	NON-LIFE SEGMENT		LIFE SEGMENT		OTHER ACTIVITIES SEGMENT		TOTAL	
1. Cash and other 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. Debits and 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 Account		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
Other comprehensive income accumulated in equity		131.640		386.849		7.905		526.394
1. Items that are not reclassified with the result from the period		-		-		-		-
2. Items that can be recycled after the result from the period		131.640		386.849		7.905		526.394
a) Available-for-sale financial assets	135.301		439.466		7.905		582.672	
c) Exchange Differences	(4.430)		-		-		(4.430)	
d) Correction of accounting mismatches	-		(52.617)		-		(52.617)	
e) Entities accounted for using the equity method	769		-		-		769	
f) 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. Other global accumulated result		(3.489)		-		-		(3.489)
2. Rest (other)		289.601		-		-		289.601
TOTAL NET EQUITY AND LIABILITIES		6.549.785		6.675.440		70.760		13.295.985

(*) Presented solely and exclusively for comparison purposes where applicable.

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

CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR FISCAL YEARS ENDING DECEMBER 31, 2016 AND 2015 (Notes 1 to 3)

(Figures in Thousands of Euros)

	Fiscal Year 2015 (*)	Fiscal Year 2016
A) CONSOLIDATED PROFIT FOR THE PERIOD	296.143	324.505
B) OTHER REGOGNISED INCOME/EXPENSES - ITEMS THAT WILL NOT BE RECLASSIFIED TO RESULT FROM THE PERIOD	351	(33.917)
1. Gains/(losses) on long term benefits to employees	1.594	(42.308)
2. Share in other comprehensive income regognised by joint ventures and associates	-	-
3. Other recognised income expenses that are not reclassified with the result of the period	-	-
4. Tax effect	(1.243)	8.391
C) OTHER GLOBAL RESULT - ITEMS THAT CAN BE RECLASSIFIED AFTER THE RESULT OF THE PERIOD	(82.807)	51.032
1. Available-for-sale financial assets	(107.620)	118.692
a) Valuation gains/(losses)	(60.753)	198.661
b) Amounts transferred to the income statement	(46.867)	(79.969)
c) Other reclassifications	-	-
2. Cash flow hedges	-	-
a) Valuation gains/(losses)	-	-
b) Amounts transferred to the income statement	-	-
c) Amounts transferred to the initial carrying amount of hedged items	-	-
c) Other reclassifications	-	-
3. Hedges of net investments in foreign operations:	-	-
a) Valuation gains/(losses)	-	-
b) Amounts transferred to the income statement	-	-
c) Other reclassifications	-	-
4. Exchange differences:	3.108	(3.383)
a) Valuation gains/(losses)	3.108	(3.383)
b) Amounts transferred to the income statement	-	-
c) Other reclassifications	-	-
5. Correction of accounting mismatches:	35.284	(54.234)
a) Valuation gains/(losses)	35.284	(54.234)
b) Amounts transferred to the income statement	-	-
c) Other reclassifications	-	-
6. Assets held for sale:	-	-
a) Valuation gains/(losses)	-	-
b) Amounts transferred to the income statement	-	-
c) Other reclassifications	-	-
7. Share in other comprehensive income recognized by investments in joint and associated businesses	(33.606)	2.906
a) Valuation gains/(losses)	(33.606)	2.906
b) Amounts transferred to the income statement	-	-
c) Other reclassifications	-	-
8. Other income and expenses that can be reclassified subsequently to results	579	-
9. Tax effect	19.448	(12.949)
TOTAL RECOGNIZED INCOME/(EXPENSE) (A + B + C)	213.687	341.620
a) Attributable to equity holders of the parent company	186.525	315.129
b) Attributable to minority interests	27.162	26.491

(*) 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 2016.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CORRESPONDING TO THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (Notes 1 to 3)

(Figures in Thousands of Euros)

	Equity attributable to equity holders of the parent						Minority interests	Total net equity
	Equity					Other global accumulated result		
	Capital or mutual fund	Share premium and Reserves	Treasury shares and participation units	Profit for the year attributable to equity holders of the parent	(Interim Dividends)			
Closing balance at 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 01 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
Adjustment for changes in accounting policies	-	-	-	-	-	-	-	-
Adjustment for errors	-	-	-	-	-	-	-	-
Opening balance adjusted to 01 January 2016	36.000	1.517.242	(17.421)	268.120	(30.600)	526.394	286.112	2.585.847
I. Total recognised income/(expense)	-	(28.519)	-	295.599	-	48.049	26.491	341.620
II. Transactions with members or shareholders	-	-	(872)	-	(83.016)	-	(11.584)	(95.472)
1. Capital increases/(decreases)	-	-	-	-	-	-	-	-
2. Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-
3. Dividend distribution	-	-	-	-	(83.016)	-	(11.584)	(94.600)
4. Transactions with treasury shares or participation units (net)	-	-	(872)	-	-	-	-	(872)
5. Increases (decreases) due to business combinations	-	-	-	-	-	-	-	-
6. Other transactions with members or shareholders	-	-	-	-	-	-	-	-
III. Other changes in equity	-	190.084	-	(268.120)	80.712	-	28	2.704
1. Share-based payments	-	-	-	-	-	-	-	-
2. Transfers between equity components	-	187.408	-	(268.120)	80.712	-	-	-
3. Other changes	-	2.676	-	-	-	-	28	2.704
Closing balance at 31 December 2016	36.000	1.678.807	(18.293)	295.599	(32.904)	574.443	301.047	2.834.699

(*) 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 2016.

GRUPO CATALANA OCCIDENTE, S.A. AND SUBSIDIARIES
(Grupo Catalana Occidente)
CONSOLIDATED CASH FLOW STATEMENT
ENDED ON DECEMBER 31, 2016 AND DECEMBER 31, 2015 (DIRECT METHOD) (Notes 1 to 3)

(Figures in Thousands of Euros)

	Fiscal Year 2015 (*)	Fiscal Year 2016
A) CASH FLOWS FROM OPERATING ACTIVITIES (1+2+3)	229.491	431.462
1. Insurance activities:	813.549	1.039.426
(+) Cash received from insurance activities	4.488.635	4.573.942
(-) Cash paid in insurance activities	(3.675.086)	(3.534.516)
2. Other operating activities:	(464.794)	(499.705)
(+) Cash received from other operating activities	136.582	133.892
(-) Cash paid in other operating activities	(601.376)	(633.597)
3. Income tax refunded/(paid)	(119.264)	(108.259)
B) CASH FLOWS FROM INVESTING ACTIVITIES (1 + 2)	(168.874)	84.371
1. Cash received from investing activities:	2.115.187	2.185.219
(+) Property, plant and equipment	184	1.355
(+) Investment property	23.382	38.651
(+) Intangible assets	422	3.446
(+) Financial instruments	59.659	1.769.658
(+) Investments in equity instruments	-	-
(+) Subsidiaries and other business units	3.712	-
(+) Interest received	120.213	127.767
(+) Dividends received	22.081	45.104
(+) Other cash received in relation to investing activities	1.885.534	199.238
2. Cash paid in inverting activities:	(2.284.061)	(2.100.848)
(-) Property, plant and equipment	(8.903)	(17.916)
(-) Investment property	(23.513)	(148.059)
(-) Intangible assets	(27.063)	(45.490)
(-) Financial instruments	(16.339)	(1.646.887)
(-) Investments in equity instruments	-	(160.803)
(-) Subsidiaries and other business units	-	-
(-) Other cash paid in relation to investing activities	(2.208.243)	(81.693)
C) CASH FLOWS FROM FINANCING ACTIVITIES (1 + 2)	(92.794)	(91.980)
1. Cash received from financing activities:	-	6.000
(+) Subordinated liabilities	-	6.000
(+) Cash received from issue of equity instruments and capital increase	-	-
(+) Assessments received and contributions from members or mutual members	-	-
(+) Disposal of treasury shares	-	-
(+) Other cash received in relation to financing activities	-	-
2. Cash paid in financing activities:	(92.794)	(97.980)
(-) Dividends to shareholders	(76.812)	(83.016)
(-) Interest paid	(13.125)	(9.958)
(-) Subordinated liabilities	-	-
(-) Cash paid for return of contributions to shareholders	-	-
(-) Assessments paid and return of contributions to members or mutual members	-	-
(-) Purchase of own securities	-	(872)
(-) Other cash paid in relation to financing activities	(2.857)	(4.134)
D) EFFECT OF CHANGES IN EXCHANGE RATES	10.317	3.036
E) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D)	(21.860)	426.889
F) CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD	631.593	609.733
G) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (E+F)	609.733	1.036.622

COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	Fiscal Year 2015 (*)	Fiscal Year 2016
(+) Cash	606.435	1.033.312
(+) Other financial assets	3.298	3.310
(-) Less: *Bank overdrafts repayable on demand*	-	-
TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	609.733	1.036.622

(*) Presented solely and exclusively for comparison purposes Unaudited balances.
The accompanying Notes 1 to 21 and Appendices I and II are an integral part of the Consolidated Cash Flow Statement corresponding to FY 2016.

Consolidated Financial Statements
Grupo Catalana Occidente

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

Consolidated Financial Statements
For the Financial Year Ended at
December 31, 2016

In accordance with current legislation on the content of consolidated financial statements, this Report completes, elaborates on and provides a commentary on the consolidated balance sheet, profit and loss account, statement of recognised income and expense, statement of changes in equity and cash flow statement (hereinafter the "consolidated financial statements"). Together with the financial statements, they form a whole, whose purpose is to provide a true and fair view of the consolidated assets and consolidated financial position of Grupo Catalana Occidente at December 31, 2016 and of the result of its activities, the changes in its equity and the cash flows registered in the year then ended.

1. General information on the parent and its activities

1.a) Incorporation, term and domicile

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

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

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

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

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

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

The insurance companies belonging to Grupo Catalana Occidente, S.A. operate in the following business lines: Life, Accident, Sickness, 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", "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 l"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 EUR 468,519 thousand at December 31, 2016 (EUR 452,707 thousand at December 31, 2015). Gross income accrued for management fees for the various funds totalled EUR 3,199 thousand in 2016 (EUR 3,464 thousand in 2015). This amount is recorded, net of associated commercial costs, in the consolidated profit and loss account of the Life segment under "Other technical income".

Moreover, the subsidiary Grupo Catalana Occidente Gestión de Activos, S.G.I.I.C. ("GCO Gestión de Activos") manages 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 EUR 254,879 thousand at December 31, 2016 (EUR 257,410 thousand at December 31, 2015).

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., ("Nortehispana"), Seguros Bilbao, Plus Ultra and Atradius N.V. have their own organisational network and structure, which is independent from that of the rest of the Group's insurance companies (see Annex I).

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

The Group has a territorial structure comprising 1,559 offices spread across Spain and 79 offices abroad.

To deliver personal and high-quality advice to customers, the Group distributes its products in Spain through an extensive sales network, consisting mainly of exclusive, full-time insurance agents. The Group also uses insurance brokers, part-time agents and other specialist distribution networks. At December 31, 2016 the Group worked with a total of 18,910 agents throughout Spain (17,744 at December 31, 2015).

The Group operates in more than 50 countries through the subsidiary Atradius N.V., which at December 31, 2016 had 2,600 agents (2,663 at December 31, 2015).

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 its stipulations in its second additional provision, all current agency agreements are deemed to be exclusive insurance agency agreements. Likewise, Tecniseguros, Sociedad de Agencia de Seguros, S.A., on which the Life consultants network depends, acts as an exclusive agency company of Seguros Catalana Occidente. Similarly, Seguros Bilbao works with S. Órbita, Sociedad Agencia de

Seguros, S.A. as an exclusive agency, having adapted its contracts to the new models established by the Group.

1.d) Other information

All of the parent's shares are listed on the Spanish Stock Exchange Interconnection System (Continuous Market). At December 31, 2016 the shares traded at 31.11 euros per share (32.02 euros per share at December 31, 2015).

2. Basis of presentation of the consolidated financial statements

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

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

a) The Spanish Commercial Code and other commercial legislation.

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

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

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

Furthermore, on 2 December 2015, Royal Decree 1060/2015, of 20 November, on the Organisation, Supervision and Solvency of Insurance and Reinsurance Entities (hereinafter "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 November 25, 2009, on access to insurance and reinsurance activities and their exercise ("Solvency II" Directive). The Royal Decree came into force on January 1, 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 23 February 2017, and they, as well as those from investee companies, shall be subject to the approval by the respective Annual General Meeting of Shareholders. The 2015 consolidated annual financial statements were approved by the Annual General Meeting of Shareholders of the Grupo Catalana Occidente, S.A. which was held on 28 April 2016.

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, they have operated effectively.

On occasions, 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 in the consolidated financial statements.

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

New standards, modifications and interpretations adopted in the 2016 financial year

New accounting standards have come into force in 2016 which have naturally been taken into account in preparing the attached consolidated financial statements.

- Amendment to IAS 19 Employee contributions to benefit plans: facilitates the possibility of deducting these contributions from the service cost in the same period in which they are paid if certain requirements are met.

- Improvements to IFRS Cycle 2010-2012: several amendments to the contents of IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16 and IAS 24.

- Amendment of IAS 16 and IAS 38 Acceptable depreciation and amortisation methods: clarifies the acceptable methods of amortisation and depreciation of tangible and intangible assets, which do not include those based on income.

- Amendment of IFRS 11 Acquisition of shares in joint operations: specifies the accounting method for the acquisition of a stake in a joint operation, whose activity constitutes a business.

- Improvements to IFRS 2012-2014: several amendments to the contents of IFRS 5, IFRS 7, IAS 19 and IAS 34.

- Amendment to IAS 27 — Equity method in Separate Financial Statements: equity will be allowed in an investor's separate financial statements.

- Amendments to IAS 1 disclosure initiative: Various clarifications with relation to disclosures.

- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment companies: Clarifications on the consolidation exception for investment companies. These amendments are pending approval to be used in the European Union on the date of issuance of these consolidated financial statements.

Any accounting policy or valuation principle that can have a material effect on the 2016 consolidated financial statements has been applied in its preparation.

Standards and interpretations issued but not yet effective

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

New standards, amendments and interpretations		Mandatory application for periods beginning as from
Approved for use in the European Union:		
New rules		
IFRS 15 Revenue from contracts with customers	New resolution of revenue recognition(supersedes IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and AIS 31)	January 1, 2018
IFRS 9 Financial Instruments:	Supersedes the classification requirements, appraisal, recognition and elimination in the accounts of financial assets and liabilities, the accounting of coverage and impairment in IAS 39.	
Not approved for use in the European Union:		
New rules		
IFRS 16 Leases	Supersedes IAS 17 and associated interpretations. The new standard proposes a single accounting model for lessees, which will include in the balance sheet all leases with a similar impact to those of financial leases.	January 1, 2019
Amendments and/or interpretations		
Modification of the IFRS 4 Insurance Contracts	Permits entities within the scope of the IFRS 4 the option of applying IFRS 9 or temporary exemption.	January 1, 2018

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 date of entry into force of the IFRS 9 is anticipated for years beginning after January 1, 2018. However, the Group contemplates the application of the deferral focus anticipated for the insurance sector ("Deferral approach") to postpone the application of IFRS 9 until the date of entry into force of IFRS 17, anticipated in theory for January 1, 2021.

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.

2.e) Comparison of information

The consolidated financial statements for the 2016 financial year are presented comparatively with the previous year, pursuant to the requirements of IAS 1 - Presentation of Financial Statements, the breakdown of which was modified by Bulletin 5/2015 from the CNMV, adapting the consolidated financial statements of December 31, 2015 to new formats without this leading to any impact on assets.

Variations in the scope of consolidation

On June 19, 2015, the group through Seguros Catalana Occidente,S.A. de seguros y reaseguros (hereinafter "SCO"), a company held 100% by the Group, exercised the option to purchase shares in Plus Ultra. Shares representing 51% of the share capital of Plus Ultra were acquired, representing an additional investment of EUR 230,434 thousand for the Group. Following this acquisition, the economic stake of the Group in Plus Ultra stood at 100%.

The accounting of business combinations as a consequence of the acquisition of 51% of Plus Ultra was recorded on June 30, 2015, for which reason the consolidated profit and loss account at December 31, 2016 is not comparable to the one presented for the previous period. On December 31, 2015, the integration of Plus Ultra implied an incorporation of EUR 350,081 thousand in accrued premiums in the consolidated profit and loss account; while in the year 2016 it contributed EUR 761,714 thousand in accrued premiums in the consolidated profit and loss account.

In addition, on September 30, 2016, through the subsidiaries Seguros Catalana Occidente and Nortehispana, the Group executed the purchase contracts for 100% of the share capital of the entities of the insurance, mediator and funeral business of Grupo Previsora Bilbaína (see Note 5.a.). This acquisition has implied the incorporation of a volume of assets of EUR 145,172 thousand in the consolidated balance sheet and EUR 9,369 thousand and EUR 4,830 thousand in accrued premiums and other income, respectively, in the consolidated profit and loss account on December 31, 2016.

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 2016 include all the companies of the Group, using the consolidation methods applicable in each case, in accordance with Article 42 of the Código de Comercio)(Spanish Commercial Code).The parent is not required to prepare consolidated financial statements with a scope greater than that of these consolidated financial statements, as it is itself part of a group headed by CO Sociedad de Gestión y Participación, S.A. which prepares its consolidated annual financial statements separately.

2.f.1) Subsidiaries

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

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 2016 and between the balance sheet date and the date these financial statements were authorised for release.

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

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

The results of subsidiaries acquired during the year are included in the consolidated income statement from the date of acquisition to year-end. 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.

Annex II provides relevant information about associates.

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

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

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

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

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

Notes 5 and 7 to the consolidated financial statements give details of the significant new acquisitions in 2016 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" records the results of Group subsidiaries that do not directly carry out insurance activities and other income and expenses as detailed in Note 17.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.i) Cash flow statement

In the cash flow statement the following expressions are used:

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

3. Significant accounting principles and policies and measurement bases used

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

3.a) Cash and other cash equivalents

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

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

3.b) Financial assets

3.b.1) Recognition

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

3.b.2) Classification of financial assets

Note 6 to the consolidated financial statements shows the book value of financial assets at December 31, 2016 and 2015, together with the specific nature of these assets, classified as follows:

— Financial assets at fair value through profit or loss:

Within this category, two types of financial asset are distinguished

- Financial assets held for trading (HFT portfolio):

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

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

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

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

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

— Loans and receivables (LR portfolio):

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

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

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

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

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

For these instruments, the Group maintains different contracts for interest rate swap, receiving, with a general nature, fixed and/or determinable amounts of the different counterparties. The principal objective of these operations is to cover the cash flow necessary to handle the payment of services derived from the commitments with insured parties. For these titles of fixed income that includes interest rate swaps, the Group has a separate assessment of the bond and the swap.

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 2016, and in the previous one, no financial instruments were classified as “Held-to-maturity investments”.

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

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

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

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

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

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

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

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

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

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

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

3.b.4) Impairment of financial assets.

At each balance sheet date, the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired 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 the loss to be recognised. The following methods are used to determine the amount of the impairment:

- Financial assets carried at amortised cost:

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

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

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

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

— Available-for-sale financial assets

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

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

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

- Listed or unlisted debt instruments are considered to have suffered an impairment if there is objective evidence of such as a result of one or more events occurring after the initial recognition of the asset and this event or events have an impact on the future estimated cash flows associated with the financial asset or group of financial assets that can be reliably estimated. The downgrading of an entity's credit rating is not in itself evidence of a loss of value, although it may indicate an impairment when taken together with other available information. A decline in the fair value of an asset to below its cost is also not prima facie evidence of an impairment loss. These events are evaluated together with other situations that may indicate a loss (e.g. if the issuer is in serious financial difficulties, if contractual clauses have been breached, if a bidding event or financial reorganisation is likely, or if the active market for the instrument disappears.
- The Group determines if there is evidence of impairment losses on listed equity instruments primarily on the basis of establishing time or percentage criteria for comparing the average cost of the instrument with its quoted price. Specifically, according to the time or percentage ranges established in the Group’s accounting policies, objective evidence of impairment shall be deemed to exist when there is a 40% decrease in the share price relative to the average cost of acquisition or in a situation of continued loss for a period exceeding 18 months.

  The Group also considers situations where the issuer is declared, or is likely to be declared, insolvent, or has significant financial difficulties to be objective evidence of impairment losses.
- For unlisted equity instruments, the criteria applied to determine impairment losses are based on comparing the average acquisition cost of the instrument with its fair value calculated using best estimates according to the information available.

— Investment in entities accounted for using the equity method:

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

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

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

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

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

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

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

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

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

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

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

3.c) Property, Plant and Equipment

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

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

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, if the case exists.

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 and the value of the land in case of real estate, over the following estimated useful lives:

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

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

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

The market value of owner-occupied property indicated in Note 8.a) to the consolidated financial statements has been obtained from appraisals carried out by independent experts (Inmoseguros), which are no more than 2 years old at December 31, 2016. For properties situated in Spain, the prior market value has been determined in accordance with the 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 to three levels, according to the inputs used to determine their fair value: These levels are defined analogously to those indicated for determining the fair value of financial assets (see Note 3.b.3).

3.d) Investment property

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

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

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

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

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

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

3.e) Intangible assets

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

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

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

3.e.1) Goodwill on Consolidation

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

As indicated in Note 5, 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 January 1, 2004 is recognised at acquisition cost, while goodwill acquired before this date is recognised at the net book value at December 31, 2003, determined in accordance with the former Spanish accounting rules. In both cases, goodwill acquired through a business combination is not amortised, but is tested for impairment annually, or more frequently if events or changes in circumstances so advise.

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

- Goodwill is allocated to the subsidiary that generated it, each such subsidiary representing a cash-generating unit that is independent of any other unit or segment.
- The recoverable amount of units allocated in Spain is determined by reference to its value in use, calculated through the future dividend discount method, taking into account the forecasts of ordinary results after taxes which will be generated in the next 3 years, as well as a residual value of investments. The discounted rate applicable to the projections is calculated on the basis of a risk-free interest rate (Spanish Government debt at 10 years)

plus a risk premium that includes general market risk and the specific risk of the investment.

— To evaluate the projections made for the operations of Atradius N.V. 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 result: according to company forecasts for the coming years and related to its existing asset portfolio and reinvestment expectations.

- Capital available: in projections for flows, it has been taken into account the necessary flows retention in order to obtain the excess capital available over the capital required by Solvency II.

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 profit and loss account for the year in which the loss occurs and cannot be reversed either at the end of that year or in subsequent years.

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

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

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

3.e.2) Policy portfolio acquisition expenses

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

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

3.e.3) Other intangible assets

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

IT Applications

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

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

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

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

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

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

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

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

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

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

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

Brand

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

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

On September 15, 2016, and derived from the acquisition of Graydon, N.V. (see Note 5.c), the Group incorporated the value of the "Graydon” brand to the consolidated balance, for its reasonable 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. Therefore, the “Graydon” brand depreciates systematically according to the useful life estimated by the Group.

Distribution network

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

The estimated useful life for the network of 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 insured portfolio of Plus Ultra. This fair value was determined using the Method of Multi-Period Excess Earnings.

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

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

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

3.g) Transactions in foreign currency

3.g.1) Functional currency

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

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

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

Foreign currency balances are translated into euros in two steps:

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

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

Translation of foreign currency into the functional currency:

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

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

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

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

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

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

Translation of functional currencies into euros:

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

- Assets and liabilities, at the closing rate.

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

- Equity, at the historical exchange rates.

3.g.3) Recording of exchange differences

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

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

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

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

3.g.4) Exchange rates used

The functional currencies of the most important subsidiaries and associates of Atradius N.V. and the currencies of the Group's other foreign currency balances are listed, showing their year-end and average exchange rate for the years ended December 31, 2016 and 2015:

Currency	Year-end rate		Average annual rate	
	31/12/2015	31/12/2016	31/12/2015	31/12/2016
U.S. Dollar	0.919	0.949	0.898	0.904
Pound Sterling	1.362	1.168	1.375	1.235
Japanese Yen	0.008	0.008	0.007	0.008
Swiss Franc	0.923	0.931	0.932	0.916
Swedish Krona	0.109	0.105	0.107	0.106
Norwegian Krone	0.104	0.110	0.112	0.108
Danish crown	0.134	0.135	0.134	0.134
Mexican peso	0.053	0.046	0.057	0.049
Australian Dollar	0.671	0.685	0.675	0.672

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 November 27, 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 EUR 20,000 thousand. 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.

On December 3, 2016, Royal Decree of Law 3/2016, of December 2, was published, which adopts measures in the tax area aimed towards consolidation of public finances and other urgent measures for social aspects. The Group has carried out an impact analysis of said tax reform, the result of which has not registered significant impacts.

Current tax assets and liabilities are measured at the amount expected to be paid to or recovered from the tax authorities, using the statutory tax rates enacted or substantively enacted by the balance sheet date. Accordingly, the Group has calculated the corporate tax at December 31, 2016, applying the tax regulations in force in companies registered in Spain and taking the various tax regimes for foreign companies into account (subsidiaries of Atradius N.V.).

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

3.i) Financial liabilities

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

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

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

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

At December 31, 2016, neither the parent company nor any other Group company has guaranteed any other debt securities issued by associates or third parties unrelated to the Group.

3. j) Insurance and reinsurance assets and liabilities

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

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

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

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

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

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

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

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

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

  As the liabilities were adequate according to the calculations made at December 31, 2016 and 2015, 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 Atradius Crédito y Caución, S.A. de Seguros y Reaseguros, calculate this provision by reference to the premium rates for each line of insurance on a policy-by-policy basis, net, where appropriate, of the loading for contingencies (i.e., commissions and other acquisition costs are not deducted).

The unexpired risks provision is intended to complement the unearned premiums provision to the extent that the amount of this provision is not sufficient to reflect the measurement of all risks and expenses to be covered in relation to the coverage period not closed at year-end. It is calculated and established, as needed, for the Spanish companies in the Group, in accordance with the calculation stipulated in Article 31 of the Private Insurance Regulations (ROSSP), amended by Royal Decree 239/2007 of 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.

In relation to the interest rate applied for calculation of the technical provisions for accounting purposes of the life insurance for contracts subject to sections 33.1.a).1 and 33.1.b).1 of the ROSSP, resulting from the entry into force of Royal Decree 1060/2015, of 20 November, on Organisation, Supervision and Solvency of the Insurance and Reinsurance Entities, the Group has decided to participate in the adaptation of the temporary structure for interest rates with no risk as established in article 54 of said royal decree. The adaptation will take place in a linear manner over 10 years, to be counted from January 1, 2016. The annual effective rate calculated for the year 2016 has been

0.97% and the annual effective rate applied in the year 2016 has been 1.79%. On December 31, 2016, 9 years of adaptation were left.

On December 31, 2016, the Group registered a provision of EUR 1,877 thousand in the concept of application of the indicated transitional measure, with the total impact of the adaptation being EUR 19,215 thousand according to the temporary structure for interest rates with no risk in November 2016.

Provisions for life insurance policies where risk is borne by policyholders

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

Claims provision

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

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

Statistical methods

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

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

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

Lines in which 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) Accident Transport-goods	June 22, 2010	September 24, 2010	December 31, 2010

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

Lines in which net and gross global statistical reinsurance methods are applied	Date of reporting to DGSFP	Date of authorisation by DGSFP	Effective date for accounting purposes
Autos Personal Autos Materials Civil liability Multirisk: - Family Home - Shops - Blocks of Flats - SME Accident Combined industrial and fire Transports-goods Machine breakdown Electrical equipment All construction risk Health	April 28, 2006	July 28, 2006	December 31, 2006

For these lines, the provision for outstanding or unpaid claims and unreported losses is calculated globally, without separating the two components. For the abovementioned lines, the provision has been calculated in accordance with the best estimate provided by internal actuarial calculations, using generally accepted deterministic and stochastic models. Details of the methods and the main assumptions used in calculating these provisions at December 31, 2016, 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.

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

Individual assessments

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

Unreported claims

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

Internal claims settlement expenses

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

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

Provisions for policyholder dividends and returns

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

Other technical provisions – Provision for funeral insurance

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

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

Commissions and deferred acquisition expenses

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

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

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

Amount for estimated recoveries

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

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

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

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

Agreements between insurers

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

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

Reinsurance

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

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

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

3.k) Non-technical provisions

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

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

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

Post-retirement benefits

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

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

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

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

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

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

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

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

The reversal of assets can occur when the plan assets are higher than the projected benefit obligation and the Group cannot recover any surplus through refunds from the pension’s vehicle due to solvency 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, with independence 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 the profit and loss account 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.

The goodwill is calculated as the difference between the cost of the combination and the reasonable value of the assets acquired and liabilities assumed.

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

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

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

4. Risk and capital management

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

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

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

4.a) Capital management

Grupo Catalana Occidente seeks to maintain a strong capital position.

Capital management is governed by the following principles:

- Ensure that Group companies have sufficient capitalisation to meet their financial obligations, even as they face extraordinary events.

- Manage the capital adequacy of the Group and its entities, taking into consideration the economic and accounting perspective and the capital requirements and objectives established in the risk appetite.

- Optimise the capital structure through efficient allocation of resources between entities, ensuring financial flexibility and properly remunerating shareholders.

Grupo Catalana Occidente defines the strategic plan and the risk strategy considering the capital management policy, using the solvency projections made in the internal evaluation process of own risks and solvency (ORSA). Capital quantification is carried out at the Group level and at the level of each of the individual entities, using different models for monitoring: ORSA, rating agencies, economic and regulatory models.

From January 1, 2016, the capital is quantified using the standard formula established in Solvency II, except for the area of credit and surety where, with the objective of collecting the specific details of the business, a calculation model has been developed, submitted to the college of supervisors for approval. Thus the Group's solvency ratio and that of each of its entities is the result of comparing the own funds of the entity at market value (economic capital) to the obligatory solvency capital requirement (SCR). The obligatory solvency capital requirement includes all of the risks to which the entity is exposed, particularly the following: market risk, subscription risk, counterparty default risk and operational risk.

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

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

Subsidiaries with insurance activity in Spain are supervised by the DGSFP. In addition, Grupo Catalana Occidente is supervised by the European College of Supervisors consisting of the DGSFP and the Central Bank of Ireland (hereinafter, "CBI").

The dependent companies with insurance activity outside Spain and its respective territories are: Atradius Reinsurance DAC. in Ireland, regulated by the CBI; Atradius Seguros de Crédito, S.A. in Mexico, regulated by the National Commission 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 the Group and its entities use to identify, accept, assess, monitor, mitigate and report risks. Likewise, during the process, the Risk Strategy is defined and its integration with the Business Strategy is ensured. This allows for meeting the risk appetite and tolerance established by the Board of Directors.
- **iii.** Business strategy: The Business Strategy is defined in the Strategic Plan. As mentioned in section ii above, the Business Strategy is aligned with the Risk Strategy. The Own Risk and Solvency Assessment (ORSA) process helps to ensure this alignment.

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

The Risk Management System Governance is based on the principle of the "Three Lines of Defence". The principle of the three lines of defence establishes the levels of activity, roles and responsibilities that govern the Risk Management System so that the first line of defence is made up by business units responsible for the risk assumed and its management, the second line of defence is made up of the actuarial function, the 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, the Group and its entities have developed written policies that, along with existing Technical Standards, guarantee the ideal management of risks. These policies, in their contents, identify the risks inherent to the affected area, establish the measures to quantify risk, determine the actions to monitor and control these risks, establish measures to mitigate their impact and determine the systems for internal control and reporting used to control and manage the aforementioned risks.

Through the risk management process, the Group and its entities identify, measure, control, manage and report the risks to which 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 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

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

- Reinsurance assumed

Atradius Reinsurance Ltd. is the reinsurer of the Group for Credit Insurance products. It has a diversified portfolio in about 70 countries. Most 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 Atradius Crédito y Caución, S.A. de Seguros y Reaseguros in Atradius, the database, despite being independent, is accessible to the global database.

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

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

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

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

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

Buyer's country	of which	TPE 2015 Million Euros	TPE 2016 Million Euros
Denmark, Finland, Norway, Netherlands, Sweden, Baltic Countries	Netherlands	23,914	25,268
	Other	25,882	26,964
Austria, Czech Republic, Germany, Greece, Hungary, Poland, Slovakia, Switzerland	Germany	80,398	82,783
	Other	50,805	55,098
UK, North America, Australia, Asia and Others	UK	42,031	39,779
	Ireland	3,751	4,015
	USA / Canada	48,663	54,359
	Mexico and Central America	8,814	9,482
	Brazil	7,987	8,129
	Asia and Australia	79,668	79,013
	Other	12,817	12,538
Southern Europe	France	40,916	43,323
	Italy	32,735	37,208
	Spain and Portugal	89,601	93,437
	Belgium and Luxembourg	14,662	15,708
Total		**562,644**	**587,104**

Industrial sector	TPE 2015 Million Euros	TPE 2016 Million Euros
Durable consumer goods	60,940	65,324
Metals	59,888	58,855
Electronics	69,797	70,510
Construction	41,147	43,133
Chemicals	74,538	78,593
Transport	50,612	53,434
Machinery	33,902	34,734
Food	52,056	55,640
Construction Materials	24,424	25,387
Services	24,113	25,276
Textiles	19,065	19,855
Finance	11,088	11,866
Agriculture	28,327	30,907
Paper	12,747	13,590
Total	**562,644**	**587,104**

Grouping by number of buyers	TPE 2015 Million Euros	TPE 2016 Million Euros
0 - 20	316,278	331,385
20 - 100	96,987	99,785
100 - 250	56,898	59,545
250 - 500	40,003	42,968
500 - 1,000	24,572	23,760
> 1,000	27,906	29,661
Total	**562,644**	**587,104**

Exposures to bonds and instalment credit protection have very different characteristics and are not, therefore, included in the tables above. The exposure to bonds at December 31, 2016 is of 22,700 million euros and instalment credit protection totals EUR 2,300 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.

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

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

- Legal and General Secretariat Department: Its objectives include to ensure, within the organization of the various Group companies, proper compliance with legal regulations, and that these are applied consistently. In order to do so, this Department and the legal departments of the main Group companies coordinate closely. For regulations that are particularly sensitive with regards to the sector in which the Group operates, such as those aimed at preventing money laundering and terrorist financing, data protection or prevention and detection of crime, the Departments in question are typically involved in all internal committees established to ensure compliance with the same.

- Department of Management and Planning Control: The unit, belonging to the Company's Financial Management, among other objectives, aims to arrange and implement adequate control of the Group's financial information and its budgets and to ensure that it complies with domestic and international accounting standards.

- Corporate Internal Audit Department: This department, under General Management, is responsible for seeing that the above bodies have successfully implemented the control and self-control measures stipulated by the Group, with regard to both operational and regulatory compliance risk.

E. Monitoring risks

Through mechanisms deployed to identify, analyse and address the associated risks in different areas, the Group recognises and addresses the risks it faces. To do so it boasts:

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

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

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

F. Risk mitigation measures

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

- Underwriting risk: the main mitigation mechanism is the reinsurance program and the technical writing standards.
- Market risk: a detailed analysis of asset-liability matching (ALM) is carried out periodically, including VaR analysis of investment portfolios and sensitivity analysis of future scenarios.
- Counterparty default risk: The credit rating of major financial counterparties and reinsurers is monitored. Exposure from commercial credit risk with 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 and Internal Code of Conduct 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 authorization levels, and adequate segregation of duties, that help ensure that management directives are carried out and risks associated with the achievement of objectives are properly managed.

  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 2016 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, from the implementation of the Solvency II regulations, there has been significant progress in the reporting and quantification of the capital requirements derived from the investments made.

The breakdown of financial assets at December 31, 2016 according to the inputs used is as follows (in Thousands of Euros):

	Level 1	Level 2	Level 3	Total at 31/12/2016
Financial assets held for trading	**-**	**56**	**-**	**56**
Derivatives	-	56	-	56
Other financial assets at fair value through profit or loss	**362,698**	**-**	**-**	**362,698**
Equity investments	4,334	-	-	**4,334**
Stakes in mutual funds	688	-	-	**688**
Debt securities	46,843			**46,843**
Investments held for the benefit of policyholders who bear the investment risk	310,833	-	-	**310,833**
Available-for-Sale financial assets	**7,981,842**	**130,085**	**3,953**	**8,115,880**
Equity investments	958,242	30,677	-	**988,919**
Stakes in mutual funds	396,208	-	-	**396,208**
Debt securities	6,459,047	56,103	3,953	**6,519,103**
Loans	-	100	-	**100**
Deposits with credit institutions	168,345	43,205	-	**211,550**
Total at December 31, 2016	**8,344,540**	**130,141**	**3,953**	**8,478,634**

The same information reported at year-end, for FY 2015 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 December 31, 2015	**8,246,804**	**81,891**	**3,908**	**8,332,603**

During FY 2016 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 January 1, 2015	**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 December 31, 2015	**-**	**3,908**	**3,908**
Purchases	-	-	**-**
Sales and amortisation	-	-	**-**
Reclassifications and transfers	-	-	**-**
Revaluation adjustments against reserves	-	45	**45**
Effect of revaluation adjustments against profits	-	-	**-**
Effect of changes in exchange rates	-	-	**-**
Changes in impairment losses	-	-	**-**
Net accounting balance at December 31, 2016	**-**	**3,953**	**3,953**

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

The credit rating of the bond issuers at December 31, 2016 and 2015 is shown below (amounts in Thousands of Euros):

Rating	31/12/2015				31/12/2016			
	Public Fixed-Income	Private Fixed-Income	Total Fixed-Income	% Fixed-Income	Public Fixed-Income	Private Fixed-Income	Total Fixed-Income	% Fixed-Income
AAA	264,874	54,013	318,887	5.00%	277,529	54,220	331,749	5.05%
AA	410,079	319,216	729,295	11.43%	420,934	310,015	730,949	11.13%
A	104,145	1,191,234	1,295,379	20.29%	104,659	1,284,067	1,388,726	21.15%
BBB	2,929,413	916,793	3,846,206	60.25%	2,982,332	980,857	3,963,189	60.36%
BB	86,492	42,363	128,855	2.02%	28,042	24,926	52,968	0.81%
B	-	9,853	9,853	0.15%	59,490	10,046	69,536	1.06%
Unrated	39,657	15,373	55,030	0.86%	23,239	5,590	28,829	0.44%
Total	**3,834,660**	**2,548,845**	**6,383,505**	**100.00%**	**3,896,225**	**2,669,721**	**6,565,946**	**100.00%**

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

Sector	31/12/2015				31/12/2016			
	Equity Instruments	%	Debt securities values	%	Equity Instruments	%	Debt securities values	%
Communications	95,491	6.42%	219,769	3.44%	96,601	6.95%	244,065	3.72%
Cyclical consumer goods	84,669	5.69%	105,713	1.66%	80,549	5.79%	166,855	2.54%
Non-cyclical consumer goods	145,679	9.79%	259,858	4.07%	145,462	10.46%	319,188	4.86%
Energy	49,457	3.33%	144,288	2.26%	47,502	3.42%	132,275	2.01%
Financial	300,160	20.18%	1,113,361	17.44%	323,746	23.29%	1,170,502	17.83%
Industrial	118,424	7.96%	165,180	2.59%	135,506	9.75%	181,474	2.76%
Technological	44,807	3.01%	21,225	0.33%	52,652	3.79%	49,960	0.76%
Public Services	110,820	7.45%	476,917	7.47%	91,571	6.59%	379,431	5.78%
Diversified	3,542	0.24%	14,250	0.22%	2,935	0.21%	13,414	0.20%
Commodities	19,076	1.28%	15,143	0.24%	10,972	0.79%	100	0.00%
Government	-	-	3,847,801	60.28%	-	-	3,908,682	59.54%
Others (*)	515,210	34.64%	-	-	402,653	28.96%	-	-
Total	**1,487,335**	**100.00%**	**6,383,505**	**100.00%**	**1,390,149**	**100.00%**	**6,565,946**	**100.00%**

(*) Includes mutual funds

Fiscal Year 2016

Thousands of Euros

Country	Equity Instruments	Public Fixed-Income	Private Fixed-Income	Derivatives	Bank deposits	Cash and cash equivalents
Spain	470,979	2,986,928	563,953	56	57,841	772,847
Greece	-	-	-	-	-	7,803
Portugal	-	13,282	-	-	-	3,349
Ireland (*)	208,246	13,401	13,580	-	-	60,301
Italy	15,972	84,724	71,506	-	27,641	(67,215)
Germany	99,917	135,295	140,909	-	22,806	11,110
France	168,444	258,693	358,838	-	-	436
UK	15,881	9,624	342,107	-	29,398	1,660
Netherlands	31,284	59,526	536,000	-	16,804	172,009
Other Europe	166,368	153,667	167,725	-	206,214	20,729
USA	202,094	65,748	395,963	-	8,259	12,428
Other OECD	6,446	85,473	74,986	-	29,271	27,994
Rest of the world	4,518	29,864	4,154	-	14,222	13,171
Total	**1,390,149**	**3,896,225**	**2,669,721**	**56**	**412,456**	**1,036,622**

(*) Ireland equity instruments are mutual funds.

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)
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.

Below are the financial investments broken down by currencies, along with the other assets and liabilities held by the Group as of December 31, 2016 and 2015:

Fiscal Year 2016 — Thousands of Euros

Currency	Equity Instruments	Debt securities	Derivatives	Bank deposits	Cash and cash equivalents	Other assets	Total Assets at 31/12/2016
Euro	1,021,642	6,322,719	56	336,071	935,297	3,698,064	12,313,849
GB pound	8,553	29,906	-	352	4,013	91,044	133,868
U.S. Dollar	201,230	137,688	-	31,136	(6,538)	205,828	569,344
Rest	158,724	75,633	-	44,897	103,850	507,314	890,418
Total	**1,390,149**	**6,565,946**	**56**	**412,456**	**1,036,622**	**4,502,250**	**13,907,479**

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 2016

Currency	Subordinated liabilities	Technical provisions	Other Liabilities	Thousands of Euros Total liabilities at 31/12/2016
Euro	204,927	8,691,516	1,296,704	10,193,147
GB pound	-	58,440	50,444	108,884
U.S. Dollar	-	287,331	36,483	323,814
Rest	-	313,734	133,201	446,935
Total	**204,927**	**9,351,021**	**1,516,832**	**11,072,780**

Fiscal Year 2015

Currency	Subordinated liabilities	Technical provisions	Other Liabilities	Thousands of Euros 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**

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 Grupo Previsora Bilbaína

On April 6, 2016, Grupo Catalana Occidente, through its subsidiaries Seguros Catalana Occidente and Nortehispana, reached an agreement with the shareholders of Grupo Previsora Bilbaína in order to acquire 100% of the shares in Azkaran, Sociedad Limitada (hereinafter, "Azkaran"), PB Cemer 2002, Sociedad Limitada (hereinafter, "PB Cemer") and Arroita 1878, S.L. (hereinafter, "Arroita"), leaders of said Group.

On September 30, 2016, having obtained the corresponding regulatory authorisations, the corresponding purchase contracts were executed and formalised.

The initial price of the assessment was EUR 125,000 thousand. The final price was adjusted in accordance with the variations of the net equity of the Companies acquired and other parameters established in the contracts, valued at EUR 137,629 thousand.

Provisional accounting of the business combination

The date for effective assumption of control was established as September 30, 2016, a date on which the purchase execution deeds were signed.

The Group has valued the identifiable assets acquired and the liabilities assumed at fair value on the date of the combination, pursuant to International Financial Reporting Standard 3.

The Group has performed a “Purchase Price Allocation” or PPA analysis to determine the fair value of the assets and liabilities of Azkaran, PB Cemer and Arroita at September 30, 2016. 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 consolidated financial statements, these being, in any case, provisional.

The amount of the consideration stands at EUR 137,629 thousand, which corresponds to the acquisition price on the date of the business combination.

The fair value of the assets identified, net of the liabilities assumed, stands at EUR 100,015 thousand and includes property gains taxes or the amount of EUR 7,027 thousand, which will depreciate depending on the useful life of each property and have been obtained based on the fair value of these assets according to the latest evaluations available, carried out by independent experts.

In the exercise of the PPA, no other intangible assets of the entities acquired have been recognised.

Expenses incurred in the transaction stand at EUR 2,232 thousand and have been recorded in the consolidated profit and loss account.

The operation has generated goodwill of EUR 37,614 thousand (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 February 2, 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. absorbed Atradius Credit Insurance N.V. for the purposes of complying with the Merger Project signed by both subsidiaries on September 25, 2015 through their respective Boards of Directors.

After the merger, Atradius N.V. will remain the Dutch parent company of a leading international network of insurance companies for credit, sureties, reinsurance, debt collection and information services.

The legal structure resulting from the merger, Atradius Crédito y Caución S.A. for insurance and reinsurance, which came into effect on 30 December 2016, reduces the complexity of working with two European insurance operators, different regulatory environments and dual government structures (particularly with the current regulation of Solvency II), without a significant impact on the business model, established brands or consolidated annual accounts for the year 2016.

The Group maintains its commitment to maintain capital in the subsidiaries of Atradius with the same financial and operational independence.

5.c) Increase of shares from 45% to 100% in Graydon Holding N.V.

On September 15, 2016, Atradius Insurance Holding, N.V., a company held at 83.20% by the Group, as purchaser and Natixis HCP S.A.S. and Euler Hermes Aktiengesellschaft as sellers reached two purchase agreements for 27.5% of the shares in Graydon Holding, N.V. (hereinafter, "Graydon") that was held by each of the sellers, for the amounts of EUR 8,750 thousand and EUR 10,750 thousand, respectively.

Provisional accounting of the business combination

Given that the Group held, through Atradius N.V., prior the purchase operations, the remaining 45% of the social shares in Graydon, it 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 date of effective assumption of control for accountancy purposes was September 30, 2016.

For the purposes of accounting for the operations and determination of the fair value of Graydon on the date of the business combination, the Group has determined that both operations cannot be considered "ordered transactions" as determined by IFRS 13.

Atradius and Graydon have similar strategies in relation to gathering a large quantity of data and converting it into valuable information that may help clients to expand their businesses. With the acquisition of Graydon, it is expected that synergies will be created to improve the credit management and collection offers and to strengthen the subscription capacities of Atradius.

After an assessment carried out by an independent expert, it was considered that the fair value of the 45% held by the Group was EUR 25,650 thousand. Given that the consolidated cost prior to this operation was EUR 38,524 thousand, the Group registered a negative result in the section "Losses originating from financial investments" in the consolidated profit and loss account for an amount of EUR 12,874 thousand.

The Group has performed a “Purchase Price Allocation” or PPA analysis to determine the fair value of the assets and liabilities of Graydon at September 30, 2016. 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 consolidated financial statements, these being, in any case, provisional.

The amount of the consideration stands at EUR 45,150 thousand and the operation has generated goodwill of EUR30,920 thousand (see Note 9.a)).

	Thousands of Euros
Acquisition price (55% share)	19,500
Fair value of the interests maintained (45% share)	25,650
Amount of the consideration	**45,150**
Less:	
Fair value of identifiable net assets	7,650
"Graydon" brand (note 3.e.3)	5,800
Exchange and conversion differences	780
Goodwill	**30,920**

Intangible assets recorded as a consequence of the business combination with Graydon basically correspond to the brand. The amount of said intangible has been valued at EUR 5,800 thousand and has been attributed a useful life of 5 years.

Expenses incurred in the transaction stand at EUR 92 thousand and have been recorded in the consolidated profit and loss account.

6. Financial assets

The breakdown of financial assets at December 31, 2016, 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 31.12.2016
FINANCIAL INVESTMENTS:	**56**	**362,698**	**8,115,880**	**355,821**	**8,834,455**
Equity Instruments					
- Financial investments in capital	-	4,334	988,919	-	993,253
- Stakes in mutual funds	-	688	396,208	-	396,896
Debt securities	-	46,843	6,519,103	-	6,565,946
Derivatives	56	-	-	-	56
Hybrid instruments	-	-	-	-	-
Investments on behalf of policyholders who assume the risk	-	310,833	-	21,789	332,622
Loans	-	-	100	95,607	95,707
Other financial assets without published prices	-	-	-	5,780	5,780
Deposits with credit institutions	-	-	211,550	200,906	412,456
Deposits made for reinsurance accepted	-	-	-	31,739	31,739
RECEIVABLES:	**-**	**-**	**-**	**822,620**	**822,620**
Credits for direct insurance and coinsurance transactions	-	-	-	387,347	387,347
Credits for reinsurance operations	-	-	-	43,481	43,481
Other credits	-	-	-	391,792	391,792
Net total	**56**	**362,698**	**8,115,880**	**1,178,441**	**9,657,075**

The same information reported at year-end, December 31, 2015 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**

6.a) Investments

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

Financial assets at fair value through profit and loss account

							Thousands of Euros
	Financial assets held for trading (HFT)		Other financial assets at fair value with changes in PL (FVPL)				
	Derivatives	Total HFT	Equity Instruments	Debt securities	Investments held for the benefit of policyholders who bear the investment risk (1)	Bank deposits	Total FVPL
Net accounting balance at January 1, 2015	**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 December 31, 2015	**-**	**-**	**57**	**-**	**297,042**	**-**	**297,099**
Incorporations to the scope - business combinations	-	**-**	15,405	49,769	-	157	**65,331**
Purchases	100	**100**	19	-	59,504	-	**59,523**
Sales and amortisation	-	**-**	(10,464)	(2,926)	(44,679)	(157)	**(58,226)**
Reclassifications and transfers	-	**-**	-	-	-	-	**-**
Variation of implicit interest	-	**-**	-	-	(1,221)	-	**(1,221)**
Effect of revaluation adjustments against profits	(44)	**(44)**	5	-	187	-	**192**
Effect of changes in exchange rates	-	**-**	-	-	-	-	**-**
Changes in impairment losses	-	**-**	-	-	-	-	-
Net accounting balance at December 31, 2016	**56**	**56**	**5,022**	**46,843**	**310,833**	**-**	**362,698**

(1) At December 31, 2016 the unrealised gains and losses on investments held on behalf of policyholders who bear the investment risk amounted to EUR 15,847 thousand and EUR (12,330) thousand, respectively (EUR 15,538 thousand and EUR (22,450) thousand at December 31, 2015, respectively).

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

Available-for-Sale financial assets

						Thousands of Euros
	Available-for-sale financial assets (AFS)					
	Financial investments in capital	Stakes in mutual funds	Fixed-income securities	No-mortgage loans and prepayments on policies	Bank deposits	Total
Net accounting balance at January 1, 2015	**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 December 31, 2015	**978,483**	**508,795**	**6,383,505**	**121**	**164,600**	**8,035,504**
Incorporations to the scope - business combinations	2,689	1,644	-	-	-	**4,333**
Purchases	194,335	25,489	1,223,063	-	102,420	**1,545,307**
Sales and amortisation	(194,556)	(144,579)	(1,081,342)	(21)	(175,317)	**(1,595,815)**
Reclassifications and transfers	-	-	-	-	-	**-**
Revaluation adjustments	30,415	5,042	40,826	-	122,378	**198,661**
Variation of implicit interest	-	-	(49,374)	-	(2,531)	**(51,905)**
Effect of changes in exchange rates	-	95	1,782	-	-	**1,877**
Changes in impairment losses	(22,447)	(278)	643	-	-	**(22,082)**
Net accounting balance at December 31, 2016	**988,919**	**396,208**	**6,519,103**	**100**	**211,550**	**8,115,880**

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 2016, the Group derecognised from equity EUR 79,969 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 2015 for the same concept, net gains of EUR 46,867 thousand were recognised in the profit and loss account.

Loans and receivables

	Thousands of Euros						
	Loans and receivables (LR)						
	No-mortgage loans and prepayments on policies	**Investments held for the benefit of policyholders who bear the investment risk**	**Mortgage loans**	**Other financial assets without published price quotations**	**Deposits with credit institutions**	**Deposits made for accepted reinsurance**	**Total**
Net accounting balance at January 1, 2015	**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 December 31, 2015	**31,083**	**18,633**	**56,778**	**5,287**	**299,788**	**31,343**	**442,912**
Incorporations to the scope - business combinations	4	-	-	15	2,845	-	**2,864**
Purchases	25,745	5,433	10,908	478	90,285	34,124	**166,973**
Sales and amortisation	(21,972)	(2,277)	(6,724)	-	(192,591)	(34,104)	**(257,668)**
Reclassifications and transfers	-	-	-	-	-	-	**-**
Variation of implicit interest	17	-	10	-	(38)	-	**(11)**
Effect of changes in exchange rates	-	-	-	-	617	376	**993**
Changes in impairment losses	-	-	(242)	-	-	-	**(242)**
Net accounting balance at December 31, 2016	**34,877**	**21,789**	**60,730**	**5,780**	**200,906**	**31,739**	**355,821**

As of December 31, 2016 the fair value of financial assets classified in the "Loans and receivables" category does not differ significantly from their book value.

6.a.1) Equity investments

The breakdown of the balances of this sub-heading at December 31, 2016 and 2015, is as follows:

	Thousands of Euros			
	Other financial assets at fair value through profit or loss (FVPL)		Available-for-sale financial assets (AFS)	
	31/12/2015	31/12/2016	31/12/2015	31/12/2016
Quoted shares of companies	-	4,334	950,274	958,242
Non-quoted shares of companies	-	-	28,209	30,677
Total	**-**	**4,334**	**978,483**	**988,919**

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 2016 amounted to EUR 45,104 thousand (EUR 22,081 thousand in 2015).

6.a.2) Stakes in mutual funds

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

	Thousands of Euros			
	Other financial assets at fair value through profit or loss (FVPL)		Available-for-sale financial assets (AFS)	
	31/12/2015	31/12/2016	31/12/2015	31/12/2016
Fixed-Income	18	24	12,736	11,864
Variable Income	39	514	325,770	352,069
Money market	-	-	163,768	24,356
Other investment funds	-	150	6,521	7,919
Total	**57**	**688**	**508,795**	**396,208**

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

Below we detail the equity of mutual funds managed by GCO Gestión de Activos, S.A. and the equity interest held by the Group through Seguros Bilbao in each of these funds at December 31, 2016 and 2015 (not including participation for investments by insurance policyholders). (See note 6.a.4).

	31/12/2015			31/12/2016		
	Assets managed by GCO Gestión de Activos at 31/12/2015 (Thousands of Euros)	Seguros Bilbao		Assets managed by GCO Gestión de Activos at 31/12/2016 (Thousands of Euros)	Seguros Bilbao	
		Percentage stake (%)	Assets (Thousand s of Euros)		Percentage stake (%)	Assets (Thousands of Euros)
Fonbilbao Mixto, FI	6,040	-	-	5,874	-	-
Fonbilbao Acciones, FI	176,095	66%	115,355	171,465	65%	111,278
Fonbilbao Eurobolsa, FI	28,432	49%	13,835	28,561	49%	14,034
Fonbilbao Renta Fija, FI	7,434	-	-	7,330	-	-
Fonbilbao Global 50, FI	7,119	44%	3,118	7,330	44%	3,248
Fonbilbao Internacional FI	23,142	49%	11,403	24,474	49%	12,094
Fonbilbao Corto Plazo, FI	9,148	32%	2,936	9,845	30%	2,973
Total	**257,410**		**146,647**	**254,879**		**143,627**

6.a.3) Fixed-income securities

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

	Thousands of Euros			
	31/12/2015		31/12/2016	
	CVRPyG	AFS	CVRPyG	AFS
Public Debt, obligations and government bonds	-	3,834,660	19,207	3,877,018
Issued by financial entities and other private entities	-	2,548,845	27,636	2,642,085
Total	**-**	**6,383,505**	**46,843**	**6,519,103**

The yield of the portfolio at December 31, 2016 31 was 2.90% (3.33% at December 31, 2015), with an estimated average maturity of approximately 4.67 years (4.72 years at December 31, 2015)

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 profit and loss account under “Income from property, plant and equipment and investments”. In 2016 this income amounted to EUR 224,826 thousand (EUR 212,547 thousand in 2015).

The maturities of the securities included under this sub-heading, classified by the portfolio to which they were assigned at December 31, 2016 and 2015 and taking their fair value into account, are as follows:

Residual maturity	Thousands of Euros			
	31/12/2015		31/12/2016	
	CVRPyG	AFS	CVRPyG	AFS
Less than 1 year	-	645,213	11,612	806,319
1 to 3 years	-	1,778,879	15,760	1,688,965
3 to 5 years	-	1,289,466	11,444	1,445,738
5 to 10 years	-	1,489,271	8,027	1,548,097
10 to 15 years	-	837,941	-	646,790
15 to 20 years	-	172,673	-	162,672
20 to 25 years	-	70,868	-	87,310
more than 25 years	-	99,194	-	133,212
Total	**-**	**6,383,505**	**46,843**	**6,519,103**

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

The breakdown by nature of the investment at December 31, 2016 and 2015 is as follows (in Thousands of Euros):

	31/12/2015		31/12/2016	
	Total FVPL	LR	Total FVPL	LR
Variable Income	103,591	-	114,244	-
Stakes in mutual funds	76,140	-	74,878	-
Fixed-Income	117,311	-	121,711	-
Other financial assets without published price quotations	-	-	-	-
Other affected balances				
- Banks (current accounts and short-term deposits)	-	18,453	-	21,663
- Other debts for management commissions	-	-	-	-
- Others	-	180	-	126
Total	**297,042**	**18,633**	**310,833**	**21,789**

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			
	31/12/2015		31/12/2016	
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	26,956	18,633	19,734	21,789
1 to 3 years	47,113	-	56,804	-
3 to 5 years	32,844	-	39,477	-
5 to 10 years	10,398	-	5,696	-
more than 10 years	-	-	-	-
Other investments without maturity	-	-	-	-
Total	**117,311**	**18,633**	**121,711**	**21,789**

The mathematical provisions at December 31, 2016 and 2015, of insurance contracts where the investment risk is borne by policyholders are as follows:

Investment of policyholders	Thousands of Euros	
	Mathematical Provision	
	31/12/2015	31/12/2016
Fund Equity	126,482	139,341
Universal Inversión + Multiahorro Variable	60,846	58,435
Universal Pias Variable	37,275	41,150
Universal Inversión Futura	15,174	19,031
Unit Link Seguros Bilbao	71,916	70,779

Unit Link Plus Ultra	3,982	3,886
Total	**315,675**	**332,622**

At December 31, 2016 and 2015 the balance of stakes in mutual funds is classified in the portfolio valued at fair value with changes in the profit or loss account and corresponds to mutual funds managed by GCO Gestión de Activos according to the following breakdown:

Type of Asset	Description (name)	Thousands of Euros	
		31/12/2015	**31/12/2016**
FI	FONBILBAO Corto Plazo	1,814	2,285
FI	FONBILBAO Mixto	3,526	3,590
FI	FONBILBAO Acciones	49,237	48,719
FI	FONBILBAO Eurobolsa	7,869	7,196
FI	FONBILBAO Renta Fija	3,188	2,877
FI	FONBILBAO Global 50	3,405	3,212
FI	FONBILBAO Internacional	3,119	3,113
		72,158	**70,992**

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

The detail of the balances constituting this sub-heading at December 31, 2016 and 2015 is as follows:

	Thousands of Euros			
	31/12/2015		**31/12/2016**	
	AFS	**LR**	**AFS**	**LR**
No-mortgage loans and prepayments on policies				
· Prepayments on policies	-	25,447	-	24,893
· Loans to agencies	-	5,440	-	7,468
· Other loans	121	196	100	2,516
Mortgage loans	-	56,778	-	60,730
Other financial assets without published price quotations	-	5,287	-	5,780
Total	**121**	**93,148**	**100**	**101,387**

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

	Thousands of Euros			
	31/12/2015		**31/12/2016**	
Year of maturity	**AFS**	**LR**	**AFS**	**LR**
Past due and up to three months	-	2,133	-	1,800
Between three months and one year	-	1,590	5	2,144
Between one year and five years	13	10,806	-	11,646
More than five years	108	42,249	95	45,140
Total	**121**	**56,778**	**100**	**60,730**

One group of mortgage loans ("reverse mortgages"), is totalling EUR 29,431 thousand, bear interest at a fixed rate of between 6.00% and 7.50%. The remaining mortgage loans bear annual interest at rates of between 0.00% and 2.80% (between 0.16% and 3.31% in 2015). The interest rate is fixed in the first year and floating from the second year. The benchmark rate used is the one-year interbank rate (EURIBOR) or the average mortgage loan rate at over three years.

6.a.6) Deposits with credit institutions

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

Residual maturity	Thousands of Euros					
	31/12/2015			31/12/2016		
	AFS	LR	Total	AFS	LR	Total
3 months to 1 year	(15,907)	265,788	249,881	(2,974)	200,906	197,932
1 to 3 years	(41,162)	34,000	(7,162)	(36,282)	-	(36,282)
3 to 5 years	39,149	-	39,149	17,926	-	17,926
5 to 10 years	485	-	485	12,073	-	12,073
10 to 15 years	29,507	-	29,507	24,463	-	24,463
15 to 20 years	(4,429)	-	(4,429)	(4,962)	-	(4,962)
20 to 25 years	(15,723)	-	(15,723)	(33,558)	-	(33,558)
more than 25 years	172,680	-	172,680	234,864	-	234,864
	164,600	**299,788**	**464,388**	**211,550**	**200,906**	**412,456**

6.a.7) Impairment losses

During 2016 impairment losses for value impairment stood at EUR 22,324 thousand (EUR 4,967 thousand in 2015).

6.b) Receivables

A breakdown of the receivables from insurance, reinsurance and coinsurance contracts at December 31, 2016 and 2015, together with other receivables, is given below:

	Thousands of Euros	
	LR	
	31/12/2015	31/12/2016
Credits for direct insurance transactions		
- Policyholders - outstanding bills:		
. Direct business and coinsurance	242,745	255,706
. Credits for bills pending issuance	90,767	105,260
. (Provision for premiums pending collection)	(24,002)	(22,136)
- Mediators:		
. Pending balances with mediators	42,552	51,019
. (Provision for impairment of balance with mediators)	(2,473)	(2,502)
Credits for reinsurance operations:		
. Outstanding balance with reinsurers	66,497	44,176
. (Provision for impairment of balance with reinsurers)	(727)	(695)
Other credits:		
. Credits with the Public Administrations	4,341	9,556
. Other credits	382,240	385,968
. (Provision for impairment of other credits)	(5,211)	(3,732)
Total	**796,729**	**822,620**

As of December 31, 2016 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 2016 and 2015 are shown in the following table, with the various changes under "Earned premiums, net of reinsurance" and "Net operating expenses" being recognised in the profit and loss account applicable to each segment.

(Figures in Thousands of Euros)	Provision for pending premiums	Provision for impairment of balance with mediators	Provision for impairment of balance with reinsurers	Provision for impairment of other credits
Balances at January 1, 2015	**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 December 31, 2015	**24,002**	**2,473**	**727**	**5,211**
Incorporations to the scope	298	-	-	38
Provisions charged to earnings	-	29	-	-
Applications credits to earnings	(2,164)	-	(32)	(1,517)
Balances at December 31, 2016	**22,136**	**2,502**	**695**	**3,732**

A breakdown of Other receivables in the consolidated balance sheet at December 31, 2016 and 2015 is given below:

	Thousands of Euros	
Other credits:	**31/12/2015**	**31/12/2016**
Credits with the Public Administrations	**4,341**	**9,556**
Other credits	**382,240**	**385,968**
Pending and estimated recoveries (Note 3.b)	325,405	314,213
Debtors of car agreements (Note 3.j)	6,153	1,617
Balances of agents of dubious collection and other dubious balances	1,546	1,137
Commissions receivable Credit Insurance information services	29,098	41,927
Personnel	2,101	2,162
Payments and advances of claims	42	43
Lease debtors	1,446	618
Misc. debtors	16,449	24,251
Provision for impairment of other credits	**(5,211)**	**(3,732)**
Total	**381,370**	**391,792**

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

The composition and movements during 2016 of those investments in the capital of companies over which the Group exercises significant influence is as follows:

Company	Thousands of Euros					
	Balance 31/12/2015	**Variations in the scope of consolidation**	**Increases for non-distributed earnings for the year**	**Other variations by valuation**	**Impairment losses**	**Balance 31/12/2016**
Asitur Asistencia, S.A.	4,208	-	613	896	-	5,717
Calboquer, S.L.	27	-	3	8	-	38
Gesiuris, S.A. S.G.I.I.C. (1)	3,273	-	189	(80)	-	3,382
Graydon Holding N.V. (4)	47,207	(25,650)	(683)	(12,874)	(8,000)	-
CLAL Credit Insurance Ltd. (2)(4)	10,982	-	81	642	-	11,705
Compañía de Seguros de Crédito Continental S.A. (3)(4)	28,444	-	7,102	1,956	-	37,502
The Lebanese Credit Insurer S.A.L. (4)	2,183	-	80	58	-	2,321
Al Mulla Atradius Consultancy & Brokerage L.L.C. (4)	-	-	(494)	494	-	-
Inversiones Credere, S.A.	2,689	-	(523)	67	-	2,233
TOTAL	**99,013**	**(25,650)**	**6,368**	**(8,833)**	**(8,000)**	**62,898**

(1) Includes goodwill totalling EUR 1,836 thousand.
(2) Includes goodwill totalling EUR 380 thousand.
(3) Includes goodwill totalling EUR 1,611 thousand.
(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 June 30,2016, invoking the test result, the Group proceeded to record an impairment of EUR 8,000 thousand in the value of its stake in Graydon Holding N.V.

In September 2016, the Group took control of the Graydon company (see Note 5.c).

2015 movements are shown below:

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 N.V. (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. (4)	-	-	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 EUR 1,836 thousand.
(2) Includes goodwill totalling EUR 380 thousand.
(3) Includes goodwill totalling EUR 1,611 thousand.
(4) Participated through the company Atradius N.V.

8. Property, plant and equipment and investment property

8.a) Tangible fixed assets

The breakdown by type of items that make up the balance of this segment and sub-segment of the condensed consolidated income statement, on December 31, 2016 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 January 1, 2016	**282,669**	**112,809**	**3,168**	**76,881**	**56,280**	**983**	**532,790**
Accumulated Amortisation at January 1, 2016	**(66,064)**	**(88,537)**	**(1,007)**	**(61,398)**	**(33,846)**	**(768)**	**(251,620)**
Impairment losses	**(6,767)**	**-**	**-**	**-**	**-**	**-**	**(6,767)**
Net Accounting Balance at January 1, 2016	**209,838**	**24,272**	**2,161**	**15,483**	**22,434**	**215**	**274,403**
Incorporations to the scope - business combinations	29,735	7,510	1,294	2,245	-	245	41,029
Investments or Additions	706	12,294	1,311	9,424	4,995	5	28,735
Advances in progress	-	-	-	-	-	-	-
Reclassifications and transfers (Note 8.b)	(2,969)	-	-	-	-	-	(2,969)
Sales and Withdrawals	-	(8,573)	(350)	(3,061)	(1,609)	(3)	(13,596)
Effect of changes in exchange rates	(209)	(1,661)	-	(3,058)	-	-	(4,928)
Incorporations to the scope - business combinations	(7,149)	(5,949)	(1,147)	(1,664)	-	(216)	(16,125)
Amortisation in the year	(4,289)	(7,663)	(511)	(7,381)	(4,147)	(25)	(24,016)
Reclassifications and Transfers of Amortisation (Note 8.b)	1,571	-	-	-	-	-	1,571
Withdrawals from Amortisation	-	8,339	265	2,858	1,034	3	12,499
Effect of changes in exchange rates	28	1,391	-	2,234	-	-	3,653
Impairment losses	(129)	-	-	-	-	-	(129)
Net Accounting Balance at December 31, 2016	**227,133**	**29,960**	**3,023**	**17,080**	**22,707**	**224**	**300,127**

Detailed Net Accounting Balance at December 31, 2016 (in Thousands of Euros):

	Properties for own use	Furniture and facilities	Transport equipment	Data-processing hardware	Improvements to owned property	Other property, plant and equipment	Total
Cost at December 31, 2016	**309,932**	**122,379**	**5,423**	**82,431**	**59,666**	**1,230**	**581,061**
Accumulated Amortisation at December 31, 2016	**(75,903)**	**(92,419)**	**(2,400)**	**(65,351)**	**(36,959)**	**(1,006)**	**(274,038)**
Impairment losses	**(6,896)**	**-**	**-**	**-**	**-**	**-**	**(6,896)**

The movement and detail for the year 2015 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 January 1, 2015	**240,630**	**98,854**	**2,017**	**71,028**	**52,712**	**983**	**466,224**
Accumulated Amortisation at January 1, 2015	**(60,978)**	**(77,289)**	**(1,027)**	**(57,304)**	**(31,248)**	**(637)**	**(228,483)**
Impairment losses	**(6,750)**	**-**	**-**	**-**	**-**	**-**	**(6,750)**
Net Accounting Balance at January 1, 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 December 31, 2015	**209,838**	**24,272**	**2,161**	**15,483**	**22,434**	**215**	**274,403**

Detailed Net Accounting Balance at December 31, 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 December 31, 2015	**282,669**	**112,809**	**3,168**	**76,881**	**56,280**	**983**	**532,790**
Accumulated Amortisation at December 31, 2015	**(66,064)**	**(88,537)**	**(1,007)**	**(61,398)**	**(33,846)**	**(768)**	**(251,620)**
Impairment losses	**(6,767)**	**-**	**-**	**-**	**-**	**-**	**(6,767)**

At December 31, 2016 and 2015, 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 2016 all the Group's tangible assets were used directly in operations.

There were no significant impairment losses on tangible fixed assets during the year.

The net value of own-use properties located abroad was EUR 21,556 thousand at December 31, 2016 (EUR 22,014 thousand at December 31, 2015).

During 2016 the Company has not obtained profits from the sale of own-use properties.

The market value at December 31, 2016 of the Group's own-use properties was as follows (in Thousands of Euros):

	Market value at 31/12/2016			
	Segment Non-Life	Life Segment	Other Activities Segment	Total
Properties for own use	270,836	72,096	25,420	**368,352**

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 246,151 thousand, EUR 86,450 thousand and EUR 20,104 thousand, respectively.

The gains associated with the property for own use amounted to EUR 141,219 thousand in the year 2016 (EUR 142,867 thousand in the year 2015).

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 evaluations are carried out periodically in conformance with the establishments of the regulations applicable to insurance entities.

8.b) Investment property

The disclosure by type of items that make up the balance of this segment and sub segment of the condensed consolidated income statement, on December 31, 2016 is as follows (in Thousands of Euros):

	Investment property for third-party-use
Cost at January 1, 2016	**377,706**
Accumulated Amortisation at January 1, 2016	**(97,783)**
Impairment losses	**(1,222)**
Net Accounting Balance at January 1, 2016	**278,701**
Incorporations to the scope - business combinations	-
Investments or Additions	125,943
Advances in progress	-
Reclassifications and transfers (Note 8.a)	2,969
Sales and Withdrawals	(4,108)
Effect of changes in exchange rates	(97)
Incorporations to the scope - business combinations	-
Amortisation in the year	(6,442)
Reclassifications and Transfers of Amortisation (Note 8.b)	(1,571)
Withdrawals from Amortisation	2,404
Effect of changes in exchange rates	10
Impairment losses	229
Net Accounting Balance at December 31, 2016	**398,038**

Detailed Net Accounting Balance at December 31, 2016 (in Thousands of Euros):

	Investment property for third-party-use
Cost at December 31, 2016	**502,413**
Accumulated Amortisation at December 31, 2016	**(103,382)**
Impairment losses	**(993)**

Likewise, the heading and the detail for 2015 are as follows (in Thousands of Euros):

	Investment property for third-party-use
Cost at January 1, 2015	**302,290**

Accumulated Amortisation at January 1, 2015	**(78,135)**
Impairment losses	**(809)**
Net Accounting Balance at January 1, 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 December 31, 2015	**278,701**

Detailed Net Accounting Balance at December 31, 2015 (in Thousands of Euros):

	Investment property for third-party-use
Cost at December 31, 2015	**377,706**
Accumulated Amortisation at December 31, 2015	**(97,783)**
Impairment losses	**(1,222)**

The most significant acquisitions carried out during the year correspond to the three properties acquired by Plus Ultra, designated for use through a lease regime, with a total net cost of EUR 110,611 thousand.

During 2016 there were no impairment losses on significant amounts and the company has full ownership of real estate investments. The Group has no commitments to acquire new property, plant and equipment other than that recognised in the consolidated financial statements.

The most significant investments under this heading of the consolidated balance relate to commercial property, mainly office buildings, which the Group operates on a lease basis.

At year-end 2016 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 2016, profits were obtained from property investment amounting to EUR 15,497 thousand.

The market value of the Group's investment property at December 31, 2016 was as follows (in Thousands of Euros):

	Market value at 31/12/2016			
	Non-Life Segment	**Life Segment**	**Other Activities Segment**	**Total**
Investment property for third-party-use	348,302	291,972	85,400	**725,674**

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 308,098 thousand, EUR 257,228 thousand and EUR 35,294 thousand, respectively.

The unrealised capital gains associated with property investments amounted to EUR 327,636 thousand in the year 2016 (EUR 321,919 thousand in the year 2015).

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 evaluations are carried out periodically in conformance with the establishments of the regulations applicable to insurance entities.

The revenue from investment property rentals that generated income from rentals and the direct operating expenses related to property investments (under operating leases or otherwise) recorded in the consolidated profit and loss account for the year 2016 are listed below:

Thousands of Euros	Transferred in Operating Leases		Investments Property	
	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2016
Income from leases	23,402	26,303	-	-
Direct operating costs	9,071	10,012	540	274

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

Revenues from future operating leases	Thousands of Euros	
	31/12/2015	31/12/2016
Less than 1 year	23,188	28,930
More than one but less than five years	62,971	76,122
More than five years	61,547	78,196
Total	**147,706**	**183,248**

The Group has not taken into account revenue from contingent charges for the years 2015 and 2016.

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

9. Intangible assets

Activity of this balance sheet item in 2016 and 2015 was as follows:

	Thousands of Euros								
			Other intangible assets						
	Goodwill	Policy portfolio acquisition expenses	Internally generated computer software	Acquired computer software	Brand	Distribution network	Policies in portfolio	Other intangible assets not generated internally	Total other intangible assets
Cost at January 1, 2015	**581,585**	**10,806**	**109,976**	**116,508**	**-**	**-**	**-**	**508**	**226,992**
Accumulated Amortisation at January 1, 2015	**-**	**(5,525)**	**(62,100)**	**(91,939)**	**-**	**-**	**-**	**(144)**	**(154,183)**
Impairment losses at 0January 1, 2015	**-**	**-**	**(14,079)**	**-**	**-**	**-**	**-**	**-**	**(14,079)**
Net Accounting Balance at January 1, 2015	**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 December 31, 2015	**704,289**	**10,929**	**128,010**	**119,141**	**13,650**	**16,140**	**20,773**	**424**	**298,138**
Accumulated Amortisation at December 31, 2015	**-**	**(5,682)**	**(70,998)**	**(90,612)**	**-**	**(404)**	**(2,347)**	**(96)**	**(164,457)**
Impairment losses at December 31, 2015	**-**	**-**	**(16,857)**	**-**	**-**	**-**	**-**	**-**	**(16,857)**
Net Accounting Balance at December 31, 2015	**704,289**	**5,247**	**40,155**	**28,529**	**13,650**	**15,736**	**18,426**	**328**	**116,824**
Incorporations to the scope - business combinations	70,558	-	122	8,357	5,800	-	-	1,926	16,205
Additions	-	-	17,899	20,109	-	-	-	-	38,008
Withdrawals	-	-	-	(5,211)	-	-	-	(185)	(5,396)
Effect of changes in exchange rates	(9)	39	(7,358)	(3,014)	-	-	-	-	(10,372)
Incorporations to the scope - business combinations	-	-	-	(481)	-	-	-	(1,845)	(2,326)
Amortisation in the year	-	(6)	(5,996)	(13,973)	-	(807)	(4,695)	-	(25,471)
Withdrawals from Amortisation	-	-	-	3,301	-	-	-	175	3,476
Effect of changes in exchange rates	-	(38)	4,775	2,711	-	-	-	-	7,486
Impairment losses	-	-	(5,544)	-	-	-	-	-	(5,544)
Cost at December 31, 2016	**774,838**	**10,968**	**138,673**	**139,382**	**19,450**	**16,140**	**20,773**	**2,165**	**336,583**
Accumulated Amortisation at December 31, 2016	**-**	**(5,726)**	**(72,219)**	**(99,054)**	**-**	**(1,211)**	**(7,042)**	**(1,766)**	**(181,292)**
Impairment losses at December 31, 2016	**-**	**-**	**(22,401)**	**-**	**-**	**-**	**-**	**-**	**(22,401)**
Net Accounting Balance at December 31, 2016	**774,838**	**5,242**	**44,053**	**40,328**	**19,450**	**14,929**	**13,731**	**399**	**132,890**

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	**31/12/2015**	**31/12/2016**
Consolidated by global integration:		
Seguros Catalana Occidente, S.A. de Seguros y Reaseguros (*)	6,012	6,012
Grupo Previsora Bilbaína	-	37,614
Nortehispana de Seguros y Reaseguros, S.A. (**)	25,945	25,945
Bilbao, Compañía Anónima de Seguros y Reaseguros, S.A.	94,398	94,398
Plus Ultra Seguros Generales y Vida, S.A. de Seguros y Reaseguros	118,186	118,186
Atradius N.V.	459,508	461,523
Graydon Holding N.V.	-	30,920
Other	240	240
Gross Total	**704,289**	**774,838**
Less: Impairment Losses	-	-
Net book value	**704,289**	**774,838**

(*) Corresponds to the goodwill of Cosalud and Aseq.

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

The goodwill resulting from the acquisition of 100% of Grupo Previsora Bilbaína provisionally stands at EUR 37,614 thousand. 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.

As a consequence of the additional acquisition of 55% of Graydon (see note 5.c), a goodwill has been generated of EUR 30,920 thousand.

The increased goodwill of Atradius N.V. is due to the acquisition of 80% of the shares in Ignios Gestão Integrada de Risco S.A., a Portuguese information services company.

9.a.1) Impairment test

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

The discount rates used as of December 31, 2016 for updating the projected cash flows derived from the projection of income and expenses, performed according to the aforementioned criteria, have been 6.96% for the Atradius business and 10.37% for units located in Spain, with expected growth rates of 0.5% and excess capital available for the Capital Required by Solvency II at 130%.

In parallel to this baseline scenario, possible variations have been calculated in the main assumptions of the model and the discount rate has been subject to a sensitivity analysis. An increase of one percentage point in the discount rate would not lead to the existence of goodwill impairment. Also, as of December 31, 2016 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 2016 and 2015 the Group did not have to recognise any impairment losses affecting consolidation goodwill. Based on the estimates, projections and independent experts' reports available to the parent company's Board Members and management, the projected income and cash flows attributable to the Group from these companies, considered as cash generating units, support the book value of the net assets recognised.

9.b) Other intangible assets

These intangible assets, to the exception of the Plus Ultra brand, have a defined useful life, in accordance with their nature, and their amortisation criteria has been detailed in the accounting policies (see Note 3.e.3).

The book value of investments in intangible assets consisting of rights exercisable outside Spain or related to investments outside Spain amount to EUR 181,107 thousand, with accumulated amortisation of EUR 123,962 thousand.

In the last financial year, the Group recorded impairment losses on internally generated software, from Atradius N.V., amounting to EUR 5,544 thousand. 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 2016 year end, all intangible assets of the Group are directly affected by the operation.

10. Tax situation

10.a) Tax consolidation regime

Since the year 2002, part of the companies included in the consolidation scope with corporate address in Spain pay taxes, for the purposes of the Corporate Income Tax, in conformance with the special regime for tax consolidation established by Chapter VI of Title VII of the Law 27/2014, dated 27 November, on Corporate Income Tax, applicable in common territory.

In 2016, the tax consolidation group number 173/01 consists of the company Grupo Catalana Occidente, S.A. (as parent company) and subsidiary entities: (i) Aseq Vida y Accidentes S.A. de Seguros y Reaseguros; (ii) Atradius Collections, S.L.; (iii) Atradius Credit Insurance NV Sucursal en España (*); (iv) Atradius Crédito y Caución S.A. de Seguros y Reaseguros (anteriormente, Compañía Española de Seguros y Reaseguros de Crédito y Caución, S.A.U.); (v) Atradius Information Services BV Sucursal en España; (vi) Catalana Occidente Capital, Agencia de Valores, S.A.; (vii) Cosalud Servicios, S.A.; (viii) GCO Reaseguros, S.A.; (ix) Grupo Catalana Occidente Gestión de Activos, S.A. S.G.I.I.C.; (x) Iberinform Internacional, S.A.; (xi) Iberinmobiliaria, S.A.; (xii) Invercyca, S.A.; (xiii) Nortehispana, de Seguros y Reaseguros, S.A.; (xiv) Plus Ultra, Segurs Generales y Vida, S.A. de Seguros y Reaseguros; (xv) Salerno 94, S.A.,; (xvi) Seguros Catalana Occidente, S.A. de Seguros y Reaseguros; and (xvii) Tecniseguros, Sociedad de Agencia de Seguros, S.A.

(*) As a consequence of the merger in 2016 between Compañía Española de Seguros y Reaseguros de Crédito y Caución, S.A.U. (absorbing) and Atradius Credit Insurance NV (absorbed), Atradius Credit Insurance NV Spanish Branch was dissolved and integrated in Atradius Crédito y Caución S.A., Insurance and Reinsurance. However, for the purposes of Corporate Income Tax corresponding to the year 2016, it is obliged to present a declaration and continues forming part of the tax consolidation group.

The taxable base that, in conformance with tax legislation, has been obtained by this tax consolidation group is subject to a tax rate of 25% (28% in 2015 and 30% in the other non-expired years).

On the other hand, the company Bilbao Compañía de Seguros y Reaseguros, S.A. is the head of the tax consolidation group number 0497B which is subject to the tax regulations of the historic territory of Vizcaya and whose subsidiaries in 2016 are: (i) Bilbao Hipotecaria, S.A., E.F.C.; (ii) Bilbao Telemark, S.L.; (iii) Bilbao Vida y Gestores Financieros, S.A.; and (iv) S. Órbita Sociedad Agencia de Seguros, S.A. The taxable base that, in conformance with the local tax legislation, has been obtained by this tax consolidation group is subject to a tax rate of 28%.

The other companies with tax address in Spain that form part of the consolidation scope are subject to the general tax rates established by the applicable regulations in common territory or local territory, as applicable. As an exception, Catoc, SICAV S.A., Inversiones Menéndez Pelayo, SICAV, S.A., Hercasol, S.A. SICAV and Previsora Inversiones SICAV S.A. are subject to a tax rate of 1% as they are variable capital investment companies that comply with the requirements of Chapter V of Title VII of the Law 27/2014, of 27 November, on Corporate Tax.

Atradius NV, its subsidiaries and the branches of these that are located outside Spanish territory apply the various tax regimes that are valid in each country they reside in or are established, with the average effective tax rate being 22.9% for the year 2016.

Since the year 2014, part of the companies included in the consolidation scope with tax address in common territory pay taxes, for the purposes of the Value Added Tax, in conformance with the special regime for the Group of Entities established by Chapter IX of Title IX of the Law 37/1992, on Value Added Tax.

In 2016, the group of entities number IVA002/14 (hereinafter, VAT Tax Group) consists of Grupo Catalana Occidente, S.A. (as parent company) and as subsidiaries: (i) Catalana Occidente Capital, Agencia de Valores, S.A.; (ii) Cosalud Servicios, S.A. (anteriormente, Depsa, S.A. de Seguros y Reaseguros); (iii) GCO Reaseguros, S.A.; (iv) Grupo Catalana Occidente Contact Center, A.I.E.; (v) Grupo Catalana Occidente Gestión de Activos, S.A. S.G.I.I.C.; (vi) Grupo Catalana Occidente Tecnología y Servicios, A.I.E.; (vii) Nortehispana, de Seguros y Reaseguros, S.A.; (viii) Plus Ultra, Segurs Generales y Vida, S.A. de Seguros y Reaseguros; (ix) Prepersa de Peritación de Seguros y Prevención, A.I.E.; and (x) Seguros Catalana Occidente, S.A. de Seguros y Reaseguros.

10.b) Current Tax Assets and Liabilities

Current tax assets and liabilities at December 31, 2016 and 2015 include the following items:

	Thousands of Euros	
	31/12/2015	**31/12/2016**
Current tax assets:		
Public Treasury debt payable for:		
• Balance due Liquidation of consolidated tax group parent company	15,513	25,986
• Other balances with the Public Treasury (see Note 10.f)	14,047	14,047
• Other balances owed by other tax groups or individual companies	46,722	37,785
Total current tax assets	**76,282**	**77,818**
Current tax liabilities:		
Public Treasury debt receivable for:		
• Other credit balances by other tax groups or individual companies	49,548	34,725
Total current tax liabilities	**49,548**	**34,725**

Current tax assets and liabilities consist of tax assets and liabilities that are expected to be offset against the Group's corporation tax liability when the tax return is filed.

10.c) Deferred tax assets and liabilities

In addition, at December 31, 2016 the Group had anticipated and deferred tax assets totalling EUR 91,051 thousand and EUR 340,278 thousand respectively, recognised under "Deferred tax assets" and "Deferred tax liabilities".

At December 31, 2015 the deferred tax assets and liabilities amounted to EUR 96,796 thousand and EUR 328,913 thousand, respectively.

The origins of the deferred tax assets and liabilities available to the Group at December 31, 2016 and 2015, are as follows:

	Thousands of Euros	
Deferred tax liabilities arising from:	**31/12/2015**	**31/12/2016**
Tax losses charged	21,007	15,735
Tax adjustments in technical provisions	34,125	32,494
Tax goodwill	4,803	10,011
Provisions for insolvencies	4,955	6,352
Expense for the outsourcing of pensions	23,589	33,740
Accelerated amortisation balance update	1,251	184
Provision for bills pending collection	2,387	2,276
Other deferred tax liabilities	23,388	25,497
SUM	115,505	126,289
Offsetting (*)	(19,429)	(35,238)
TOTAL	**96,076**	**91,051**

(*) 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 31/12/2015	31/12/2016
Adjustments for valuation of financial investments	201,847	215,178
Stabilisation reserve	110,186	120,659
Tax adjustments in technical provisions	11,062	14,047
Other deferred tax assets	25,247	25,632
SUM	348,342	375,516
Offsetting (*)	(19,429)	(35,238)
TOTAL	**328,913**	**340,278**

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

10.d) Reconciliation of the accounting result and taxable base

The reconciliation between the accounting result and the taxable base of the Corporate Income Tax is as follows:

	FY 2016 in Thousands of Euros						
	Profit and Loss Account		Income and expenses directly attributed to the net equity		Reserves		Total
Balance of income and expenses of the year	324,505		17,115		-		**341,620**
Company income tax	108,259		4,558		-		**112,817**
	A	D	A	D	A	D	
Permanent differences							
- Of the individual companies	51,142	(116,056)	-	-	-	-	**(64,914)**
- Of the consolidation companies	-	-	-	-	-	-	**-**
Temporary differences							
- Of the individual companies	139,833	(279,286)	121,600	(99,923)	-	-	**(117,776)**
- Of the consolidation companies	-	-	-	-	-	-	**-**
Offsetting of negative tax bases from previous years	(10,328)		-		-		**(10,328)**
Taxable base	**218,069**		**43,350**		**-**		**261,419**

	FY 2015 in Thousands of Euros						
	Profit and Loss Account		**Income and expenses directly attributed to the net equity**		**Reserves**		**Total**
Balance of income and expenses of the year	296,143		(82,456)		-		**213,687**
Company income tax	119,265		(18,205)		-		**101,060**
	A	D	A	D	A	D	
Permanent differences							
- Of the individual companies	5,415	(75,492)	-	-	-	-	**(70,077)**
- Of the consolidation companies	-	-	-	-	-	-	**-**
Temporary differences							
- Of the individual companies	25,649	(82,321)	40,565	(141,225)	-	-	**(157,332)**
- Of the consolidation companies	-	-	-	-	-	-	**-**
Offsetting of negative tax bases from previous years	(1,842)		-		-		**(1,842)**
Taxable base	286,817		(201,321)		**-**		**85,496**

10.e) Reconciliation of accounting profit and tax expense

The reconciliation of the income tax expense resulting from applying the general tax rate in force in each country to the accounting profit obtained by the companies belonging to the Group and the income tax expense recorded for financial years 2016 and 2015 is shown below:

	FY 2016 in Thousands of Euros								
	Consolidated tax group - parent company	**Crédito y Caución SL**	**Tax group Seguros Bilbao**	**Grupo Previsora Bilbaína**	**Atradius N.V. (*)**	**Securities Investment Companies**	**AIE Companies**	**Other Companies / Consolidation adjustments**	**Total Consolidated Group**
Earnings before tax according to local regulations	542,393	45,101	45,638	14,015	95,097	4,950	27	(12)	**747,209**
Contribution resulting from applying the tax rate of each country	135,598	11,275	12,779	3,924	29,423	49	-	-	**193,048**
Contribution deductions originating from:									
Double taxation	(22,663)	-	(1,468)	-	(7,497)	-	-	-	**(31,628)**
Investments	-	-	-	-	10,370	-	-	-	**10,370**
Provision for depreciation of investments and other balances	1,211	-	11	-	-	-	-	-	**1,222**
Deductions and eliminations of dividends	(43,121)	(11,435)	-	-	-	-	-	-	**(54,556)**
Offsetting of negative tax bases	(243)	-	-	-	(206)	-	-	-	**(449)**
Exempt income	-	-	-	-	3	-	-	-	**3**
Other	3,421	160	(909)	(1,005)	(4,377)	-	-	(6,025)	**(8,735)**
Regularisation of Corporate Tax 2015	-	-	(600)	-	(416)	-	-	-	**(1,016)**
Variation in local tax rates	-	-	-	-	-	-	-	-	**-**
Income tax expenses recorded with a balancing entry in the statement of income for 2016	**74,203**	**-**	**9,813**	**2,919**	**27,300**	**49**	**-**	**(6,025)**	**108,259**

	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)**
Other	(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**

The difference between the income before tax presented in the above table and the figure shown in the income statement for 2016 is attributable mainly to the adjustments made on consolidation.

10.f) Years open for review by the tax authorities

As established by valid legislation in Spain, taxes cannot be considered to be definitively settled until the declarations provided have been reviewed by the tax authorities or, where applicable, the expiration period has passed (currently, four years from the day after the end of the regulatory period established in order to present the corresponding declaration or self-assessment).

The above must be understood without prejudice to article 66.bis of Law 58/2003, of 17 December, General Taxation, which establishes the right of the Administration to initiate a verification procedure for: (i) the bases or instalments that are compensated or pending compensation or deductions applied or pending application, which will expire after ten years to be counted from the day after the end of the regulatory period established to present the declaration or self-assessment corresponding to the tax year or period in which the right to compensate said bases or instalments or to apply said deductions was generated; and (ii) to investigate the facts, acts, elements, activities, exploitations, businesses, values and other determining circumstances for the tax obligation in order to verify correct compliance with the applicable regulations.

On December 31, 2016, Grupo Catalana Occidente and its tax consolidation group have the following years open for inspection:

Taxes	**FY**
Company income tax	2012-2016 (*)
Value Added Tax	December 2013-November 2016 (**)
Withholdings for Personal Income Tax and Corporate Income Tax.	December 2013-November 2016 (**)
Tax on Insurance Premiums	December 2013-November 2016 (**)
Other	2013-2016
Local Taxes	2013-2016

(*) The Corporate Income Tax for the year 2016 is pending presentation, with the maximum date for presentation being July 25, 2017. The Corporate Income Tax for the year 2012 will expire on July 26, 2017.
(**) In accordance with a sentence from the Supreme Court, which defends a thesis that in theory has already been overcome, the year 2012 will expire on January 30, 2017, after the completion of the period for presenting the Annual Summaries corresponding to said year.

The rest of the group companies have, in general, the years determined by applicable tax law open for review by the tax inspection authorities for the main applicable taxes.

In FY 2011 tax authorities completed their tax audits and inspections of the Corporate Income Tax for the years 2005, 2006 and 2007 and proceeded to initiate proceedings against the Catalana Occidente Group which involved an overall amount to pay the Spanish Tax Office of EUR 56,379 thousand

(EUR 46,920 thousand corresponding to the Corporate Income Tax contribution and EUR 9,459 thousand in late fees). These minutes were signed under protest by the parent Company on October 5, 2011.

On October 31, 2014, the Central Economic-Administrative Court (TEAC) ruled on the complaint filed by Grupo Catalana Occidente, in its capacity as parent company of the tax consolidation group, confirming the settlements for the Corporate Income Tax for the years 2006 and 2007.

On December 16, 2016, Grupo Catalana Occidente, in its capacity as parent company of the tax consolidation group, filed a complaint against the TEAC resolution, an administrative appeal before the Court of Administrative Litigation of the National Court.

On December 20, 2016, the National Court resolved that the appeal filed by the tax consolidation group, agreeing to declare the right of the Administration to carry out a settlement for the year 2006 to be expired, and confirming the deduction for double taxation applied with regards to the dividends received in the years 2006 and 2007. In consequence, the amount to pay in favour of the Tax Authority was established as 33,000 euros.

In FY 2013 tax authorities have completed their tax audits and inspections of the Corporate Income Tax for the years 2008, 2009, 2010 and 2011, and proceeded to initiate proceedings for the Catalana Occidente Group, S.A. for a total of EUR 19,187 thousand (EUR 15,756 thousand corresponding to the contribution and EUR 3,431 thousand in late fees). On December 20 2013 the parent company signed all the proceedings in agreement, to the exception of the 2008 Corporate Income Tax, under protest, for the amount of EUR 16,334 thousand which corresponded to the same concept as the acts for the years 2006 and 2007 mentioned above.

During 2014, the Spanish Tax Agency has proceeded to offset EUR 14,047 thousand corresponding to the settlement of the 2008 Corporate Income Tax, with amounts to be reimbursed to the Group from the Corporate Income Tax. On March 16, 2015, Grupo Catalana Occidente, in its capacity as parent company of the tax consolidation group, filed an economic-administrative complaint against the settlement agreement with the 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 presented will prevail and the proceedings shall not involve any impact on the Group's equity.

The 2016 financial statements do not include any provisions related to inspection activities described above as the directors of the parent company, based on the opinion of its tax advisers, consider that the appeals proceedings will be successful and will not cause any impact on company equity for the Group.

Also, as a result of possible varying interpretations of applicable tax legislation for the years subject to inspection, contingent tax liabilities might result, which cannot be objectively quantified. However, the Directors of the parent company believe that the applicable tax debt, if any, would not have a significant effect on the financial statements.

In compliance with the provisions of Article 86 of Royal Decree 27/2014 of 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, S.A. de Seguros y Reaseguros, the Company received a 100% stake in the company formed after the aforementioned spin-off process, which the same insuring activity and the same company name as the earlier company. The book value for which the Company recorded the shares received from the new company is the same that it held for its participation in the spin-off company, i.e., EUR 296 thousand.

— On October 2, 2001 the Company made a contribution in kind of a line of business, receiving in exchange 298,515 shares of Seguros Catalana Occidente, S.A. de Seguros y Reaseguros of 60.101210 euros par value each, resulting in a total accounting value of EUR 17,941 thousand. The list of assets, rights and obligations transferred to the transferee company, along with their corresponding accounting figures, appears in the detailed inventory of assets and liabilities included in the portfolio transfer and capital reduction/extension of Seguros Catalana Occidente, S.A. de Seguros y Reaseguros, executed before the Notary of Barcelona, Mr. Miguel Tarragona Coromina on 2 October 2001, No. 4,311 of his protocol.

— On March 22, 2007 the shareholders of Compañía Española de Seguros y Reaseguros de Crédito y Caución, S.A. (i.e., Crédito y Caución) formed a new company called Grupo Compañía Española de Crédito y Caución, Sociedad Limitada, through the contribution of all the shares they had from the first, and by cash contribution of the remaining amount to reach the established share capital and share premium. According to the above, the Company subscribed for 7,772 shares of the new company, which accounts for a 43.18% stake of its share capital, the same as it had at that time at Crédito y Caución.

— On May 21, 2015, the sole shareholder of Seguros Catalana Occidente, S.A. de Seguros y Reaseguros, Sociedad Unipersonal (the "Absorbing Company"), the sole shareholder of Catoc Vida, S.A. de Seguros Sociedad Unipersonal and of Cosalud, S.A. de Seguros, Sociedad Unipersonal (the "Absorbed Companies") approved the merger through absorption of the Absorbed Companies by the Absorbing Company, through the transfer, as a block, of the assets it will acquire, through universal succession, including all assets, liabilities, rights and obligations and relationships of all type of the Absorbed Companies and the dissolution without liquidation, a circumstance that will entail the extinguishment of these. The operations of the Absorbed Companies are considered completed, for accounting purposes, from January 1, 2015, date of the beginning of the year approving the merger. The merger operation is taxed under the special regime regulated in Chapter VII of Title VII of Law 27/2014, of 27 November, on Corporate Income Tax.

— On 2 February 2016, the sole shareholders of Compañía Española de Seguros y Reaseguros de Crédito y Caución S.A.U. (the "Absorbing Company") and Atradius Credit Insurance NV (the "Absorbed Company") approved the merger through absorption of the Absorbed 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 (see note 5.b). The operations of the Absorbed Company are considered completed, for accounting purposes, from January 1, 2016, date of the beginning of the year approving the merger. The merger operation is taxed under the special regime regulated in Chapter VII of Title VII of Law 27/2014, of 27 November, on Corporate Income Tax.

11. Other assets

The details of financial liabilities at December 31, 2016 and 2015, broken down by nature, are as follows (in Thousands of Euros):

	Thousands of Euros	
Other assets	**31/12/2015**	**31/12/2016**
Accruals and Deferrals		
Premiums earned and not issued, net of commissions and transfers	200,679	212,481
Commissions and other acquisition costs	220,452	225,249
Prepayments	18,209	18,763
Other accruals and deferrals	21,692	19,004
Other assets	22	261
TOTAL	**461,054**	**475,758**

12. Debits and payable

The details of financial liabilities at December 31, 2016 and 2015, broken down by nature, are as follows (in Thousands of Euros):

	Portfolio of debits and other accounts payable	
	Thousands of Euros	
Debits and payabes	**31/12/2015**	**31/12/2016**
Subordinated liabilities	**211,821**	**204,927**
Other Payables	**607,132**	**647,402**
Liabilities from insurance and coinsurance operations	134,999	132,389
Deposits received on buying reinsurance	82,339	59,170
Liabilities from reinsurance operations	103,673	136,777
Debts to credit entities	1,331	2,111
Other payables	284,790	316,955
TOTAL	**818,953**	**852,329**

12.a) Subordinated liabilities

Subordinated liabilities include the subordinated debt emissions issued by Atradius Finance B.V. and Atradius Reinsurance DAC, subsidiaries of Atradius N.V.

On September 23, 2014, Atradius Finance B.V. issued subordinated bonds for a nominal aggregate amount of EUR 250,000 thousand with a maturity of 30 years, which may be re-purchased beginning on the tenth year, on a quarterly basis. The bonds are irrevocably, unconditionally and subordinately guaranteed by Atradius N.V., a Group company. During the first 10 years, bonds have a fixed nominal annual interest rate of 5.250%, payable in annual instalments and, from that date, they will have a nominal variable interest rate of Euribor 3 months plus 5.031%, payable quarterly in arrears. The bonds are listed on the Luxembourg Stock Exchange.

At the date of issuance, Plus Ultra has underwritten EUR 40,000 thousand of the aforementioned subordinated bonds. Later, during the year 2016, Seguros Catalana Occidente and Seguros Bilbao underwrote EUR 11,291 thousand and EUR 2,000 thousand of nominal value, respectively. These operations have been eliminated in the consolidation process.

On April 20 2016, Atradius Reinsurance DAC received a subordinated loan, mainly from subsidiaries of the Group, in a nominal amount of EUR 75,000 thousand, maturing in 10 years and with the possibility of a repurchase after the fifth year, on an annual bases. The loan has a fixed nominal interest rate of 5.0%, payable in arrears in annual instalments until the maturity date.

The creditors of the Group are Seguros Bilbao, Seguros Catalana Occidente and Nortehispana, which granted EUR 40,000 thousand, EUR 23,000 thousand and EUR 6,000 thousand, respectively, of the aforementioned subordinated loan, which were eliminated in the consolidation process.

At December 31, 2016 the Group estimates the fair value of 100% of these subordinated liabilities at EUR 311,112 thousand, based on binding valuations from independent experts. During FY 2016, interest for subordinated liabilities in an amount of EUR 15,729 thousand were paid.

12.b) Other payables

A breakdown of the payables arising out of insurance, reinsurance and coinsurance contracts, together with other payables, at December 31, 2016 and 2015, is given below:

	Thousands of Euros	
	31/12/2015	31/12/2016
Liabilities from direct insurance and coinsurance operations	**134,999**	**132,389**
• To insurees and coinsurers	72,104	65,775
• To mediators	35,042	35,607
• Conditioned payables	27,853	31,007
Deposits received on buying reinsurance	**82,339**	**59,170**
Liabilities from reinsurance operations	**103,673**	**136,777**
Debts to credit entities	**1,331**	**2,111**
Rest of other payables	**284,790**	**316,955**
TOTAL	**607,132**	**647,402**

"Rest of other payables" includes the following items at December 31, 2016 and 2015:

	Thousands of Euros	
Other payables:	**31/12/2015**	**31/12/2016**
Tax and social payables	**56,466**	**55,975**
Public Treasury debt receivable for other items (withholdings, VAT, etc.)	20,084	17,646
Surcharges on insurance premiums	27,006	26,405
Social Security bodies	9,376	11,924
Other payables	**228,324**	**260,980**
Recoveries pending assignment	28,855	26,281
Deposits received	3,557	5,463
Research and Development project loan	4,442	3,404
Accrued expenses	133,925	155,858
Unpaid bills	6,682	8,615
Miscellaneous creditors	50,863	61,359
TOTAL	**284,790**	**316,955**

The following items are included under the section 'accrued expenses' at December 31, 2016 and 2015:

	Thousands of Euros	
Accrued expenses by item	**31/12/2015**	**31/12/2016**
Personnel expenses	54,134	56,079
Production expenses	18,450	20,816
Supplies and external services	11,019	11,837
Other items	50,322	67,126
Total	**133,925**	**155,858**

13. Technical provisions

13.a) Detail of technical provisions

A breakdown of the provisions established at December 31, 2016 and the change with respect to December 31, 2015, together with reinsurers' share of these provisions, is given below (in Thousands of Euros):

Provision	Balance at 1 January 2016	Incorporations to the scope (*)	Provisions charged to earnings	Applications credits to earnings	Cost at December 31, 2016
Technical provisions:					
Unearned premiums	1,205,607	10,190	1,236,674	(1,205,607)	1,246,864
Provision for current risk	9,515	-	6,073	(9,515)	6,073
Life insurance:					
- For life insurance (**)	4,800,188	340	5,075,746	(4,800,188)	5,076,086
- For life insurance where risk is borne by policyholders	315,675	-	332,622	(315,675)	332,622
Claims	2,717,353	890	2,638,119	(2,717,353)	2,639,009
Provision for policyholder dividends and return premiums	7,043	-	6,495	(7,043)	6,495
Other technical provisions	18,939	21,510	22,362	(18,939)	43,872
	9,074,320	**32,930**	**9,318,091**	**(9,074,320)**	**9,351,021**
Reinsurer participation in technical provisions (transferred):					
Provisions for unearned premiums	185,188	948	188,186	(185,188)	189,134
Provision for life insurance	23,948	161	1,007	(23,948)	1,168
Provision for claims	792,853	127	704,693	(792,853)	704,820
Other technical provisions	130	-	-	(130)	-
	1,002,119	**1,236**	**893,886**	**(1,002,119)**	**895,122**

(*) Corresponds to the incorporation of Grupo Previsora Bilbaína to the scope of consolidation.

(**) On December 31, 2016, it includes EUR 25,339 thousand corresponding to provisions for unearned premiums for products with coverage of less than one year.

The movements in these provisions in 2015 were as follows (in Thousands of Euros):

Provision	Balance at January 1, 2015	Incorporations to the scope (*)	Provisions charged to earnings	Applications credits to earnings	Cost at December 31, 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 December 31, 2015, it includes EUR 24,656 thousand corresponding to provisions for unearned premiums for products with coverage of less than one year.

In some forms of life insurance sold by Seguros Catalana Occidente, S.A. de Seguros y Reaseguros, mainly mixed and retirement insurance, the insured can choose when the policy expires between a capital or monthly income at an interest rate determined upon taking out the policy. The life insurance provision recorded at December 31, 2016 includes EUR 754 thousand to reflect the value of these maturity options, calculated on the basis of each subsidiary's past experience and the estimated increased cost involved in the annuity option. This provision as of December 31, 2015 amounts to EUR 881 thousand.

In addition, for certain commitments acquired prior to January 1,999, at December 31, 2016 the Group maintains a provision of EUR 6,978 thousand, both in order to be able to pay the guaranteed interest rate and also in order to pay future administrative expenses of these policies.

On October 3, 2000 the Directorate General of Insurance and Pension Funds published a Resolution in relation to mortality and survival tables to be used by insurance companies, and the PERM/F-2000P tables which became applicable for new production to be carried out after the entry into force of the Resolution was published (October 15, 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 2016 was EUR 51,689 thousand.

A breakdown of the technical provisions for direct insurance and inward reinsurance at December 31, 2016 for the various businesses included in the Life and Non-life segments is given below:

	Thousands of Euros					
	Non-Life					
Provision at December 31, 2016	**Auto**	**Multirisk**	**Credit insurance**	**Other miscellaneous insurance**	**Life**	**Total**
Technical provisions:						
Unearned premiums and unexpired risks	367,610	303,480	499,654	82,193	25,339	**1,278,276**
Mathematical	-	-	-	-	5,050,747	**5,050,747**
Where the investment risk is borne by the Policyholders	-	-	-	-	332,622	**332,622**
Claims	468,987	237,298	1,531,700	277,780	123,244	**2,639,009**
Provision for policyholder dividends and return premiums	-	-	-	-	6,495	**6,495**
Other technical provisions	-	-	-	43,872	-	**43,872**
	836,597	**540,778**	**2,031,354**	**403,845**	**5,538,447**	**9,351,021**

Technical provisions for the direct and reinsurance business accepted for FY 2015 are detailed as follows:

	Thousands of Euros					
	Non-Life					
Provision at December 31, 2015	**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 the investment risk is borne by the 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**

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 EUR 201,041 thousand as of December 31, 2016 (EUR 148,100 thousand as of December 31, 2015).

The amount of the provision for deferred policyholder dividends at December 31, 2016 represents an overall allocation of 27,1% (21.5% at December 31, 2015) of the total unrealised gains on investments linked to life insurance contracts with policyholder participation rights.

The interest charged for the years 2016 and 2015 to life insurance contracts have involved a total of EUR 158,678 and 151,718 thousand respectively.

The effect of reinsurance granted in the profit and loss account for years 2016 and 2015 has been as follows:

	Thousands of Euros	
	FY 2015	FY 2016
Premiums recorded to transferred reinsurance		
– Premiums transferred	742,215	749,425
– Variation of provision for unearned premiums	1,292	2,588
Commissions (*)	(275,667)	(267,754)
Cost of the transfer	**467,840**	**484,259**
Claims of reinsurance (*)	(351,340)	(340,051)
Total cost of reinsurance	**116,500**	**144,208**

(*) 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 2011	Claims that occurred in FY 2012	Claims that occurred in FY 2013	Claims that occurred in FY 2014	Claims that occurred in FY 2015	Claims that occurred in FY 2011	Claims that occurred in FY 2012	Claims that occurred in FY 2013	Claims that occurred in FY 2014	Claims that occurred in FY 2015
Provision for claims originally estimated (*)	227,018	212,078	195,896	186,626	190,581	88,359	115,935	93,646	83,713	108,372
Estimated valuation of claims:										
One year later	219,724	195,746	178,510	169,468	176,217	92,062	108,534	89,945	84,172	104,647
Two years later	209,288	188,769	167,621	156,825		91,144	107,636	89,431	84,768	
Three years later	211,106	182,543	157,874			90,790	107,321	89,125		
Four years later	201,128	175,817				91,189	105,903			
Five years later	196,608					90,477				
Cumulative amounts paid:	195,860	165,384	139,065	122,616	100,531	92,983	96,321	77,554	67,486	78,131

	CREDIT INSURANCE					MISCELLANEOUS				
	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 2015	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 2015
Provision for claims originally estimated (*)	758,992	828,563	703,728	771,970	850,660	60,713	86,498	75,294	66,590	67,025
Estimated valuation of claims:										
One year later	743,136	812,622	618,552	769,160	807,490	59,906	69,865	67,084	69,763	66,219
Two years later	731,196	758,562	593,777	778,525		60,798	68,237	70,987	70,521	
Three years later	726,356	754,675	585,782			58,939	70,564	68,910		
Four years later	707,077	743,022				60,028	69,233			
Five years later	703,666					60,445				
Cumulative amounts paid:	687,396	715,673	555,659	684,580	627,456	65,260	56,953	50,153	48,020	35,581

(*) Not including the technical provision for claims settlement expenses.

14. Non Technical Provisions

The breakdown as of December 31, 2016 and 2015 is as follows:

	Thousands of Euros	
	31/12/2015	31/12/2016
Provision for taxes	7,419	8,553
Provisions for pensions and similar obligations	120,290	150,075
Temporary income - severance pay	1,554	4,706
Other commitments to personnel	7,643	6,028
Debts from agreements with insurers	6,415	599
Provisions for responsibilities	1,560	1,743
Provisions for restructuring	4,926	4,320
Onerous contracts	-	-
Legal / litigation	8,823	7,583
Other provisions	2,500	2,815
Total	**161,130**	**186,422**

Besides the stipulations noted in Note 10 and those that correspond to the nature of the insurance business which are duly valued and included, where necessary, in the claims provisions, the Group has no significant claims, lawsuits or court processes which individually imply damage or that may affect the consolidated financial statements as well as contingent liabilities that could involve the Group in law suits or involve the imposition of sanctions or penalties with a significant effect on the company's Equity.

At December 31, 2016 and 2015, the commitments are reflected in the provision for pensions and similar obligations are detailed as follows:

	2015 (Thousands of Euros)			2016 (Thousands of Euros)		
	Defined benefit	Defined contribution	Total commitments	Defined benefit	Defined contribution	Total commitments
Commitments for pensions -						
Earned by active personnel	522,183	12,078	534,261	411,918	13,558	425,476
Due to retired personnel	275,141	-	275,141	456,067	-	456,067
Total Obligations	**797,324**	**12,078**	**809,402**	**867,985**	**13,558**	**881,543**
Assets connected to plan						
Assets connected to Atradius	687,558	-	687,558	726,762	-	726,762
Unrecognised assets Atradius Dutch plan	-	-	-	-	-	-
Total Assets	**687,558**	**-**	**687,558**	**726,762**	**-**	**726,762**
Provisions for pensions and similar obligations	**109,766**	**12,078**	**121,844**	**141,223**	**13,558**	**154. 781**

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 96% (2015: 97%) 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 2016, for external funding, has been EUR 10,509 thousand (2015:EUR 12,987 thousand).

The following table summarises the conciliation, the funding status and the amounts recognised in the consolidated balance sheet as of December 31, 2016 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	
	2015	2016	2015	2016	2015	2016	2015	2016
Balance at January 1	**771,934**	**797,324**	**654,282**	**687,558**	**-**	**-**	**117,652**	**109,766**
Included in profit and loss								
Cost of services in current year	14,017	12,695	-	-	-	-	14,017	12,695
Cost for past services	(141)	(8,287)	-	-	-	-	(141)	(8,287)
Cost (income) from interest	21,767	20,183	19,523	18,700	-	-	2,244	1,483
Administration costs	538	450	-	-	-	-	538	450
Exchange rate effects	-	10,535	-	7,920	-	-	-	2,615
Total included in profit and loss	**36,181**	**35,576**	**19,523**	**26,620**	**-**	**-**	**16,658**	**8,956**
Included in OCI:								
Revaluation loss (gain):								
Actuarial losses (gains) for:								
- demographic assumptions	(11,512)	1,384	-	-	-	-	(11,512)	1,384
- financial assumptions	(4,171)	110,907	-	-	-	-	(4,171)	110,907
- experience adjustments	225	(8,749)	-	-	-	-	225	(8,749)
- adjustments for restrictions on net assets after defined benefit obligations	-	-	-	-	-	-	-	-
Revenue from assets connected to the plan excluding income from interest	-	-	(13,115)	55,893	-	-	13,115	(55,893)
Exchange rate effects	16,577	(54,210)	16,258	(53,020)	-	-	319	(1,190)
Total included in OCI:	**1,119**	**49,332**	**3,143**	**2,873**	**-**	**-**	**(2,024)**	**46,459**
Other:								
Employer contributions	(2,994)	(3,154)	25,928	24,994	-	-	(28,922)	(28,148)
Participant contributions	2,284	2,119	2,284	2,119	-	-	-	-
Benefits paid	(17,914)	(19,139)	(18,772)	(16,698)	-	-	858	(2,441)
Additional profits	6,714	5,927	1,170	(704)	-	-	5,544	6,631
Total other	**(11,910)**	**(14,247)**	**10,610**	**9,711**	**-**	**-**	**(22,520)**	**(23,958)**
Balance at December 31	**797,324**	**867,985**	**687,558**	**726,762**	**-**	**-**	**109,766**	**141,223**

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 EUR 16,700 thousand (EUR 17,900 thousand in 2015) 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 EUR 29,700 thousand (EUR 28,500 thousand in 2015) 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 2016 actuarial losses stood at EUR 103,542 thousand (EUR 15,458 thousand in actuarial profits in the year 2015) 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	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	173 active (2015: 196 active members). 494 non-active (2015: 0 non-active members).	508 active (2015: 503 active members). 418 non-active (2015: 407 non-active members).	333 active (2015: 356 active members). 1,319 non-active (2015: 1,355 non-active members).	5,644 active (2015: 4,974 active members). 1,034 non-active (2015: 915 non-active members).
Defined benefit obligations	EUR 285 million (2015: EUR263 million euros).	EUR 118.5 million (2015: EUR 111 million).	EUR 348 million (2015: EUR 310 million).	EUR 60 million (EUR 2015: 71 million).
Plan Assets	EUR 287 million (2015: EUR 281 million).	EUR 74.7 (2015: EUR 70 million). Assets for EUR 16.7 million (2015: EUR 17.9 million) are recognised as part of financial investments.	EUR 321.7 million (2015: EUR297 million).	EUR 14.8 million (2015: EUR 13.1 million).
Revaluations gains (losses) in OCI	EUR 20.3 million– gain (2015: EUR 6.4 million– gain).	EUR 1.7 million– gain (2015: EUR 0.0 million– gain).	EUR 14.2 million– gain (2015: EUR 1.4 million– loss).	EUR 1.5 million– gain (2015: EUR 2.0 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 2016, contributions rose to 5.5% (2015: 5%) of pensionable salary.	None.	Employees contribute 7% of their pensionable salaries.	None.

Characteristic	UK	Germany	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	2015	2016
Cash and cash equivalents	1,739	2,425
Variable Income	259,188	291,924
Fixed-Income	216,346	184,791
Investment funds	173,494	210,082
Insurance contracts	21,168	23,806
Property assets	15,623	13,734
Total	**687,558**	**726,762**

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 2016 was EUR 78,200 thousand (EUR 5,800 thousand in 2015).

In 2017 the Group expects to contribute approximately EUR 16,000 thousand to defined benefit plans.

The main assumptions used in financial years 2016 and 2015 for the major defined benefit plans are as follows:

Main actuarial assumptions	UK 2015	UK 2016	Germany 2015	Germany 2016	Netherlands 2015	Netherlands 2016	Spain 2015	Spain 2016
Discount rate	3.75%	2.50%	2.25%	1.75%	2.25%	1.75%	2.06%	1.57%
Inflation rate	3.25%	3.25%	1.75%	1.50%	1.75%	1.75%	1.75%	1.75%
Expected increase of future salaries	2.75%	2.40%	2.80%	2.05%	1.75%	1.75%	Between 0% and 2%	Between 0% and 1.50%
Expected increase of future benefit levels	3.00%	3.00%	1.50%	1.25%	0.875%	0.875%	Between 0% and 1.75%	Between 0% and 1.75%
Mortality table	CMI 2015 (1.5% LTR)	CMI 2015 (1.5% LTR)	Heubeck Richttafeln	Heubeck Richttafeln	Prognosetafel AG2014	Prognosetafel AG2016	PERM/F - 2000P PASEM - 2007	PERM/F - 2000P PASEM - 2007
Duration	19	20	17	17	20	22	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 val ue of obligations (in Thousands of Euros):

Defined benefit obligations	2015 Increase	2015 Decrease	2016 Increase	2016 Decrease
Discount rate (1% movement)	(115,940)	154,362	(135,294)	178,635
Salary growth rate (1% movement)	21,031	(19,398)	18,702	(17,627)
Inflation rate (1% movement)	90,408	(76,652)	92,574	(89,035)
Expected increase of future benefit levels (1% movement)	121,160	(100,601)	140,618	(110,748)
Future mortality (+ 1 year)	23,098	-	28,544	-

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 2016 the Group's parent company has not undertaken significant changes in its accounting policies.

15.a) Capital

The parent's registered share capital stands at EUR 36,000 thousand consisting of 120,000,000 fully subscribed and paid in book entry shares of 0.30 euros par value each represented in book-entry form. All shares have the same rights, and the parent company may issue shares without voting rights.

The shareholders owning 10% or more of the parent company's share capital on December 31, 2016 were as follows:

	Percentage equity
Corporación Catalana Occidente, S.A.	31.15%
La Previsión 96, S.A.	25.00%

The share ratio of previous shareholders has not differed at all with regard to FY 2015.

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 December 31, 2016 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 2016 and at December 31, 2016, as well as the movements during the year.

The breakdown of the share premium and each type of reserve as of December 31, 2016 and 2015 is as follows:

	Thousands of Euros	
	Balance at 31/12/2015	**Balance at 31/12/2016**
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	600,831	673,455
Reserves in companies by global integration	898,962	985,647
Reserves in companies consolidated by the method of stake (equivalence)	8,643	10,899
Reserves	**1,515,709**	**1,677,274**
Total Share premium and Reserves	**1,517,242**	**1,678,807**

15.b.1) Share issuing premium

The balance of this type of reserves, according to the revised text of the Law on Capital Companies can be used to expand capital. Not restriction whatsoever is established for its availability.

15.b.2) Differences from adjustment of capital to euros

The balance of this reserve comes from the capital reduction carried out in FY 2001 as a result of changing corporate capital to euros. Availability is subject to the same requirements as the legal reserve.

15.b.3) Legal reserve

Under the Consolidated Text of the Law on Capital Companies, 10% of profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of share capital. The legal reserve may be used to increase corporate capital in the balance that exceeds 10% of the capital already increased. Only to this end and as long as it does not exceed 20% of the corporate capital, this reserve con only be used to compensate losses, as long as there are no other sufficient reserves available to this end. At the various dates presented, the amount of this reserve accounted for 20% of corporate capital.

15.b.4) Voluntary reserves of the parent company

Breakdown as of December 31, 2016 and 2015 is as follows (in Thousands of Euros):

	31/12/2015	31/12/2016
Voluntary reserves	590,727	663,351
Merger reserve	9,799	9,799
Other reserves	305	305
Total	**600,831**	**673,455**

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 December 31, 2016 and 2015, taking into account the adjustments for consolidation, is given below:

	Thousands of Euros					
	31/12/2015			31/12/2016		
	Reserves	Other global accumulated result	Total	Reserves	Other global accumulated result	Total
Consolidated by global integration:						
Grupo Catalana Occidente, S.A.	149,748	-	**149,748**	186,962	-	**186,962**
Seguros Catalana Occidente, Sociedad Anónima de Seguros y Reaseguros	170,534	322,647	**493,181**	152,922	342,449	**495,371**
Grupo Catalana Occidente Tecnología y Servicios, A.I.E.	(87)	-	**(87)**	119	-	**119**
Nortehispana, S.A. Cía de Seguros y Reaseguros	47,568	19,041	**66,609**	50,382	20,684	**71,066**
Bilbao Compañía Anónima de Seguros y Reaseguros, S.A. and subsidiaries	(14,829)	119,767	**104,938**	(8,131)	122,555	**114,424**
Plus Ultra, Seguros Generales y Vida, S.A. de Seguros y Reaseguros	53,036	(2,976)	**50,060**	45,104	1,591	**46,695**
Cosalud Servicios, S.A.	6,262	439	**6,701**	9,033	398	**9,431**
Grupo Compañía Española de Crédito y Caución, S.L. / Atradius N.V.	390,244	33,605	**423,849**	443,283	45,068	**488,351**
Tecniseguros, Sociedad de Agencia de Seguros, S.A.	12	-	**12**	4	-	**4**
Prepersa, de Peritación de Seguros y Prevención, A.I.E.	821	27	**848**	860	28	**888**
Salerno 94, S.A.	26,052	-	**26,052**	27,508	-	**27,508**
Inversiones Menéndez Pelayo, SICAV, S.A.	9,858	5,542	**15,400**	12,050	4,588	**16,638**
Catoc, SICAV, S.A.	53,740	27,054	**80,794**	58,682	33,123	**91,805**
C.O. Capital Ag. Valores	3,188	67	**3,255**	3,563	71	**3,634**
Grupo Catalana Occidente Contact Center, A.I.E.	(101)	-	**(101)**	(2)	-	**(2)**
Inversions Catalana Occident, S.A.	300	-	**300**	273	-	**273**
Hercasol SICAV, S.A.	3,510	310	**3,820**	3,521	530	**4,051**
Grupo Catalana Occidente Gestión de Activos S.A., S.G.I.I.C.	(940)	28	**(912)**	(494)	39	**(455)**
GCO Reaseguros, S.A.	2	(1)	**1**	8	19	**27**
Aseq Vida y Accidentes, S.A. de Seguros y Reaseguros	44	75	**119**	-	-	**-**
Grupo Previsora Bilbaína	-	-	**-**	-	41	**41**
	898,962	**525,625**	**1,424,587**	**985,647**	**571,184**	**1,556,831**
Accounted for using the equity method:						
Calboquer, S.L.	20	-	**20**	23	-	**23**
Asitur Asistencia, S.A.	2,583	-	**2,583**	4,021	-	**4,021**
Gesiuris, S.A. S.G.I.I.C.	349	66	**415**	447	78	**525**
Inversiones Credere, S.A.	(61)	-	**(61)**	6	-	**6**
Atradius - Partners	5,752	703	**6,455**	6,402	3,181	**9,583**
	8,643	**769**	**9,412**	**10,899**	**3,259**	**14,158**
TOTAL	**907,605**	**526,394**	**1,433,999**	**996,546**	**574,443**	**1,570,989**

15.c) Stocks and Treasury Shares

The balance of this subheading, which is the result of deducting the equity attributable to the shareholders of the parent company from the consolidated balance sheet on December 31, 2016 and 2015, 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 December 31, 2016 represents 1.70% of the capital issued as of that date (1.67% as of December 31, 2015). During FY 2016, the percentage of shares outstanding held by the above company has remained at 1.68% calculated on a daily basis. The average price of the portfolio as of December 31, 2016 was 8.97 euros per share, the same as the 8.69 euros per share on December 31, 2015. These shares are available-for-sale in order to safeguard liquidity. There are no more Grupo Catalana Occidente S.A. shares held by other Group companies or third parties that operate on their behalf. Additionally, on December 31, 2016, 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, 2016 S.A. during FY 2016 and 2015 has been as follows:

	Thousands of Euros		Number of shares
	Cost of acquisition	Nominal value	
Cost at 0January 1, 2015	**17,421**	**601**	**2,004,282**
Additions (*)	100	2	5,555
Withdrawals (*)	(100)	(2)	(5,555)
Cost at December 31, 2015	**17,421**	**601**	**2,004,282**
Additions	872	11	35,255
Withdrawals	-	-	-
Cost at December 31, 2016	**18,293**	**612**	**2,039,537**

(*) The movement in 2015 is due to the acquisition of Aseq, which held 5,555 shares in the Group. Later, on September 28, 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 2016 profit of Grupo Catalana Occidente, Sociedad Anónima be distributed as follows:

Distribution	Fiscal Year 2016 Thousands of Euros
To dividends	86,784
To voluntary reserves	104,810
Net profit for the year	**191,594**

The payout for FY 2015 approved by the parent company's General Meeting of Shareholders, held April 28, 2016 is 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**

Previously, at meetings held on June 25, 2015, September 23, 2015 and January 28, 2016, the parent company's Board of Directors had approved the distribution of a total interim dividend of EUR 45,900 thousand out of 2015 profit. Payment was effected in instalments, on July 15, 2015, October 14, 2015 and February 10, 2016.

The consolidated net benefit of FY 2015 is detailed in the statement of changes in equity.

15.e) Dividends

The various amounts paid by shareholders in FY 2016 as dividends is as follows:

Governing body:	Date of resolution:	Date of payment:	Type of dividend:	Per share in euros	Total in Thousands of Euros
Board of Directors	January 28, 2016	February 10, 2016	3er. Interim divided 2015 profit	0.1275	15,300
General Meeting of Shareholders	April 28, 2016	May 11, 2016	Supplementary dividend	0.2901	34,812
Board of Directors	June 30,2016	July 13, 2016	1er. Interim divided 2016 profit	0.1371	16,452
Board of Directors	September 29. 2016	October 13, 2016	2°. Interim divided 2016 profit	0.1371	16,452
					83,016

Interim dividends for FY 2016 have been calculated by reference to the balance sheet of the parent company at the following dates and with the following breakdown:

	Thousands of Euros	
	June 30,2016	**September 29, 2016**
Sum of available and realisable assets	45,181	43,345
Sum of payable liabilities (*)	35,048	26,645
Estimated liquidity surplus	10,133	16,700
Interim Dividend	16,452	16,452

(*) Includes the proposed interim dividend

The completed dividend payouts during FY 2016 comply with the requirements and limitations established by the current legal framework and the Articles of Association in the parent company.

Additionally, the Board of Directors of the Company, at its January 26, 2017 meeting, resolved to distribute a third interim dividend for FY 2016 based on 2013's results amounting to EUR 16,452 thousand, which was paid on February 15, 2017. This dividend has been calculated taking the balance of the Company on January 26, 2017 as a reference, with the following breakdown:

	Thousands of Euros January 26, 2017
Sum of available and realisable assets	57,891
Sum of payable liabilities (*)	39,399
Estimated liquidity surplus	18,492
Interim Dividend	16,452

(*) 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:

	2015	2016
From continued and interrupted operations: Net profit attributable to shareholders of the parent company (Thousands of Euros)	268,120	295,599
Weighted average number of shares issued (thousands of shares)	120,000	120,000
Less: Weighted treasury shares (thousands of shares) (*)	(2,007)	(2,022)
Weighted average number of shares outstanding (thousands of shares)	117,993	117,978
Basic earnings per share (euros)	**2.27**	**2.51**
From interrupted operations: Net profit attributable to shareholders of the parent company for interrupted operations (Thousands of Euros)	-	-
Basic earnings per share (euros)	**2.27**	**2.51**

(*) Refers to treasury shares held in treasury stock for 2015 and 2016.

As there are no stock options, warrants or other equivalent instruments that might cause a potential dilutive effect, the earnings per share figure is the same as the diluted earnings per share in the different periods presented.

15.g) Other global accumulated result

The other global accumulated result beyond the profit and loss account includes the amounts relative to income and expenses that can be directly attributed to the net equity separated between items that will not be reclassified with the result of the period and those that can later be recycled with the result of the period.

Among the main items that can later be recycled with the result of the period are: those corresponding to the changes in the assessment of the assets that are maintained classified in the portfolio of "financial assets available for sale", including corrections of accounting asymmetries generated by assignment to policyholders of unrealised net gains of the investments as well as those associated to currency differences upon exchange of balances held in a currency foreign to said portfolio and the foreign subsidiaries of Atradius, N.V.

	Thousands of Euros	
	Balances at 31/12/2015	**Balances at 31/12/2016**
Available-for-Sale financial assets	582,672	672,093
Exchange differences	(4,430)	(7,306)
Correction of accounting mismatches	(52,617)	(93,603)
Entities accounted for using the equity method	769	3,259
Other adjustments	-	-
Other global accumulated result	**526,394**	**574,443**

Other global accumulated result - Items that can be recycled after the result of the period by:

Available-for-Sale financial assets

This heading basically encompasses the net amount of the changes in the fair value of available-for-sale financial assets, which, as stated in Note 3.b.5, are classified as part of the Group's consolidated equity. These changes are recorded in the consolidated profit and loss statement when the sale of source assets occurs.

Exchange differences

This reserve encompasses mainly exchange gains and losses on non-monetary items recognised in equity.

Corrections of accounting mismatches

This item includes the changes in unrealised gains arising on financial assets classified in the available-for-sale portfolios at fair value through profit or loss that are attributable to life policyholders.

Entities accounted for using the equity method

This item includes the income and expenses that can be directly attributed to the net equity, derived from shares in entities evaluated through the equity method.

Other global accumulated result - Items that cannot be reclassified after the result of the period by:

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, other than the reserves constituted by the net amount of income and expenses recognised directly and definitively in the net equity. It also includes any reversal of assets that may occur when a plan's assets are greater than the expected benefit obligation and the Group cannot recover any surplus through redemptions of the pension vehicle, due to capital adequacy and control requirements (see Note 14).

16. Minority interests

A breakdown of "Minority interests" and "Profit or loss attributable to minority interests" at December 31, 2016 and 2015, by consolidated company, is given below:

	Thousands of Euros			
	31/12/2015		31/12/2016	
	Minority Interests	Profit or loss attributable to minority interests	Minority Interests	Profit or loss attributable to minority interests
Nortehispana, S.A. de Seguros y Reaseguros	164	12	255	20
Grupo Compañía Española de Crédito y Caución, S.L./ Atradius N.V.	279,974	27,887	294,505	28,602
Bilbao Compañía Anónima de Seguros y Reaseguros, S.A.	845	108	854	95
Catoc SICAV, S.A	173	8	182	3
Grupo Catalana Occidente Servicios Tecnológicos, A.I.E.	54	-	54	-
Grupo Catalana Occidente Contact Center, A.I.E.	-	-	1	-
Hercasol S.A. SICAV	4,878	8	5,187	178
Inversiones Menendez Pelayo SICAV, S.A.	-	-	1	-
Grupo Previsora Bilbaína	-	-	8	8
Aseq Vida y Accidentes, S.A. de Seguros y Reaseguros	24	-	-	-
Total	**286,112**	**28,023**	**301,047**	**28,906**

The movements in "Minority interests" in 2016 and 2015 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 2016 and 2015 totalled EUR 4,107,323 thousand and EUR 3,710,119 thousand respectively. In addition, the Group has managed payments to pension plans and investment funds not reflected in the consolidated profit and loss account, amounting to EUR 48,470 thousand during FY 2016 and EUR 64,089 thousand in FY 2015.

The breakdown of earned premiums in 2016 and all other income and expense items, grouped according to the main segments and subsegments, is as follows:

	FY 2016 (Thousands of Euros)					
	Non-Life Segment				Segment Life	Total
	Auto	Multirisk	Credit and Caution	Other Miscellaneous		
Premiums attributed to accepted direct insurance and reinsurance business	**624,095**	**622,982**	**1,555,914**	**426,087**	**858,595**	**4,087,673**
Earned premiums from direct insurance	638,971	624,084	1,371,450	424,867	857,888	3,917,260
Earned premiums from accepted reinsurance	-	(2,196)	190,010	1,849	400	190,063
Variation in the provision for premiums pending collection	165	(188)	(1,820)	786	(10)	(1,067)
Variation in the provision for unearned premiums and current risks in direct insurance	14,711	(906)	10,033	1,387	296	25,521
Variation in the provision for unearned premiums in accepted reinsurance	-	-	(2,667)	(1,544)	(593)	(4,804)
Premiums recorded to reinsurance	**20,302**	**35,177**	**661,781**	**28,638**	**6,115**	**752,013**
Income from investments and property, plant and equipment	**34,796**	**29,199**	**48,461**	**19,166**	**240,778**	**372,400**
Income from investments assigned to insurance policies in which policyholders bear the investment risk	**-**	**-**	**-**	**-**	**26,035**	**26,035**
Other technical income	**4**	**76**	**203,079**	**8**	**4,424**	**207,591**
Claims incurred in the year, net of reinsurance	**443,335**	**324,242**	**426,160**	**195,102**	**633,808**	**2,022,647**
Benefits paid for direct insurance	399,078	315,078	639,814	215,569	618,498	2,188,037
Benefits paid for accepted reinsurance	(1)	(7)	125,104	1,399	(555)	125,940
Benefits paid for transferred reinsurance	7,411	34,553	332,742	36,278	4,809	415,793
Changes in benefit provisions for direct insurance	28,444	1,068	(80,406)	(1,389)	15,598	(36,685)
Changes in benefit provisions for accepted reinsurance	497	713	(23,436)	(1,251)	(50)	(23,527)
Changes in benefit provisions for transferred reinsurance	7,114	(14,485)	(60,706)	(5,554)	(2,111)	(75,742)
Expenses attributable to benefits	29,842	27,458	37,120	11,498	3,015	108,933
Change in other technical provisions, net of reinsurance	**-**	**-**	**-**	**3,553**	**291,584**	**295,137**
Provisions for life insurance	-	-	-	-	274,636	274,636
Provisions for life insurance where the investment risk is borne by policyholders	-	-	-	-	16,948	16,948
Other technical provisions	-	-	-	3,553	-	3,553
Provision for policyholder dividends and return premiums	**-**	**-**	**-**	**-**	**1,480**	**1,480**
Net operating expenses	**136,484**	**197,879**	**422,023**	**144,040**	**73,163**	**973,589**
Acquisition costs (commissions and other costs)	117,586	178,794	288,142	121,935	64,370	770,827
Administration costs	20,984	23,741	386,665	28,591	10,535	470,516
Commissions and shares in transferred reinsurance	2,086	4,656	252,784	6,486	1,742	267,754
Other technical expenses	**619**	**2,451**	**7,079**	**2,310**	**1,563**	**14,022**
Variation of deterioration for insolvencies	47	340	148	49	152	736
Other technical expenses	572	2,111	6,931	2,261	1,411	13,286
Expenses arising from property, plant and equipment and investments	**19,335**	**16,900**	**55,067**	**10,669**	**45,329**	**147,300**
Costs from investments assigned to insurance policies in which policyholders bear the investment risk	**-**	**-**	**-**	**-**	**19,744**	**19,744**
Technical-financial result	**38,820**	**75,608**	**235,344**	**60,949**	**57,046**	**467,767**

Below is a breakdown of earned premiums in 2015 and all other income and expense items, grouped according to the main segments and subsegments:

	FY 2015 (Thousands of Euros)					
	Non-Life Segment				Segment Life	Total
	Auto	Multirisk	Credit and Caution	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 result	**56,439**	**61,075**	**238,823**	**54,301**	**35,453**	**446,091**

The service income of Atradius, N.V. is included in the profit and loss account for 2016 and 2015 of the Credit Insurance sub segment under the heading "Other technical income", as shown below:

	Thousands of Euros	
	FY 2015	Fiscal Year 2016
Collection and recovery services	39,982	41,543
Information and commission services	121,453	127,396
Other income from services	19,319	34,140
Total "Other technical income" – Credit insurance	**180,754**	**203,079**

The "Other income" and "Other expenses" sub-headings in the income statement of the Other Activities segment includes the following items:

Other income – FY 2016	Thousands of Euros Other Activities Segment	Other costs – FY 2016	Thousands of Euros Other Activities Segment
Collection awards	3,179	Recorded personnel expenses	11,337
Depsa - ARAG Operation	-	Other administration costs	16,667
Funeral business income	4,356	Funeral business expenses	1,227
Income from property sales	3,306	Other expenses	8,347
Investment fund commissions	3,614		
Other income	4,310		
Total	**18,765**	**Total**	**37,578**

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**

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 2016 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)	8,715	9,242	4,125	**22,082**
Loans and receivables (Note 6.a)	-	-	242	**242**
Material assets (Note 8)	(220)	(129)	249	**(100)**
Intangible assets (Note 9)	5,544	-	-	**5,544**
Investment in entities accounted for using the equity method (Note 7	8,000	-	-	**8,000**
Total	**22,039**	**9,113**	**4,616**	**35,768**

17.a) Composition of life business by volume of premiums

The breakdown of the life business (direct insurance) in 2016 and 2015, by premium volume, is as follows:

Premiums for life insurance (direct)	Thousands of Euros	
	FY 2015	Fiscal Year 2016
Premiums for individual contracts	793,531	788,731
Premiums for collective insurance contracts	79,921	69,157
	873,452	**857,888**
Periodic premiums	464,320	489,872
Single premiums	409,132	368,016
	873,452	**857,888**
Premiums for contracts without policyholder dividends	395,230	421,493
Premiums for contracts without policyholder dividends (1)	407,041	374,957
Premiums for contracts where risk is borne by policyholders	71,181	61,438
	873,452	**857,888**

(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:

			Thousands of Euros					
			2015			2016		
Mode and type of coverage	**Technical interest**	**Biometric table (*)**	**Premiums**	**Mathematic provision (*)**	**Amount distributed for policyholder dividends**	**Premiums**	**Mathematic provision (*)**	**Amount distributed for policyholder dividends**
SEGUROS CATALANA OCCIDENTE								
Universal Jubilación Benefit at the time of retirement as capital or income	Indexed and 5%	GKM-80	14,778	270,316	921	14,686	274,923	1,346
Universal Vida y Jubilación As the previous one, plus capital for death if it occurs prior to retirement	Indexed, 3% and 5%	GKM-80	12,755	252,829	594	12,786	257,515	881
Universal Vida y Pensión Same as above.	Indexed, 3.5% and 5%	GKM-80	24,700	336,295	778	24,038	348,921	1,180
Universal PPA	Indexed	GKM-80; GKM/F-95/ PASEM2010	32,121	241,044	2,501	33,007	252,640	3,356
Universal PIAS	Indexed	GKM/F-95/ PASEM2010	52,273	176,396	1,531	53,810	200,021	2,368
Universal Ahorro Futuro	Indexed	GKM/F-95/ PASEM2010	50,836	149,699	1,538	44,485	175,969	2,473
Patrimonio Oro	Indexed 3.5%	GKM-80; GKM/F-95/ PASEM2010	125,859	592,430	1,512	83,061	617,532	2,132
Renewable Temporary Individual Renewable annual temporary risk insurance.	2%	GKM-80 adjusted GKM/F-95 PASEM2010	38,258	8,754 (**)	-	40,047	8,936 (**)	-
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	66,819	447,038	138	54,455	491,438	101
SEGUROS BILBAO								
Flexivida Seguros Bilbao	5.29%	GKM-70/ 80	6,235	119,249	-	5,407	118,789	-
Flexivida Seguros Bilbao indexed	Indexed	Unisex (PASEM/PASEF)	86,194	277,895	-	82,826	334,492	-
Seguros Bilbao Retirement Plan	4.36%	GRM-70 / 80 / 95	8,415	131,213	465	7,611	126,468	130
Cuenta ahorro seguro Seguros Bilbao	Indexed	Unisex (PASEM/PASEF)	21,979	120,653	-	18,497	116,279	-
PPA Seguros Bilbao	Indexed	Unisex (PASEM/PASEF)	7,120	56,043	-	10,126	61,068	-
Seguros Bilbao Sole Account	Indexed	Unisex (PASEM/PASEF)	52,535	206,410	-	46,793	231,701	-
PIAS	Indexed	Unisex (PASEM/PASEF)	13,110	43,949	-	14,806	51,458	-

Mode and type of coverage	Technical interest	Biometric table (*)	Thousands of Euros 2015 Premiums	Mathematic provision (*)	Amount distributed for policyholder dividends	2016 Premiums	Mathematic provision (*)	Amount distributed for policyholder dividends
NORTEHISPANA								
Nortehispana Pensiones Deferred capital with policyholder dividends	6, 4, 3 and 2.4%	GRM – 95	6,737	114,680	1,661	5,998	107,916	1,398
Nortehispana Universal Contribution without policyholder dividends	3.75%	GKM/F- 95	27,516	54,619	-	23,517	69,182	-
PLUS ULTRA								
Renewable Annual Temporary Risk Insurance	2% - 6%	PASEM2010	12,569	6,523	-	12,485	6,390	-
Mixed Mixed Insurance	1.50% - 6%	PASEM2010	4,433	84,802	532	3,958	77,845	510
Savings plans, periodic premium Deferred Insurance with Premium Reimbursement	1.50% - 6%	GR95U	9,895	147,141	350	9,326	140,207	304
Savings plans, single premium Deferred Insurance with Premium Reimbursement	1.50% - 6%	GR95U	27,057	156,385	3	34,410	170,537	2
Collective Retirement Plan Insurance Insurance for capital and income for outsourcing pension commitments	1% - 6%	GR95U PERM/F2000P	2,291	80,533	25	4,527	71,728	90
Insured Benefit Plans (PPA) Retirement Insurance with survivorship and death coverage	1.50% - 2.50%	GR95U	11,858	75,871	1,237	12,929	80,692	910
PIAS Whole Life Insurance to constitute lifelong annuity	2.70%	PASEM2010	37,268	99,169	-	42,174	127,003	-

(*) 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 January 1,999, 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 2016 and 2015 (1.39% and 1.91% respectively) or for the year the policy came into effect, provided the duration of the collections specifically assigned to the policies, estimated at the market interest rate, is equal to or greater than the duration of the payments arising from the policies, based on their likelihood flows and estimated at the market interest rate.

b) For obligations assumed prior to January 1,999, 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 2016 and 2015 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 2015 and 2016 and allocation to the profit and loss for each segment and sub-segments is shown below:

	Thousands of Euros	
	FY 2015	**FY 2016**
Wages and Salaries	369,115	394,905
Social Security	72,944	79,014
Contributions to external pension funds	35,362	28,227
Compensations and rewards	4,245	6,172
Other personnel expenses	14,298	13,375
Total	**495,964**	**521,693**

Use of personnel expenses – FY 2016	**Segment Non-Life**	**Life Segment**	**Other Segment**	**Total** (Thousands of Euros)
Claims incurred in the year, net of reinsurance	57,200	1,532	-	58,732
Expenses arising from property, plant and equipment and investments	2,088	1,932	-	4,020
Net operating expenses	391,051	24,016	-	415,067
Other expenses	31,362	1,175	11,337	43,874
Net Total	**481,701**	**28,655**	**11,337**	**521,693**

In 2015, of total staff costs EUR 453,948 thousand went to the Non-life segment, EUR 28,188 thousand to the Life segment and EUR 13,828 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 2016 and 2015 was as follows:

	Thousands of Euros			
	DISTRIBUTION OF EARNED PREMIUMS FROM DIRECT INSURANCE, INWARD REINSURANCE AND OTHER TECHNICAL INCOME, BY GEOGRAPHICAL AREA			
	FY 2015		Fiscal Year 2016	
GEOGRAPHICAL AREA	**Segment Non-Life**	**Life Segment**	**Segment Non-Life**	**Life Segment**
Domestic market	1,675,326	875,063	2,038,394	859,632
Export:				
- Netherlands and Scandinavian countries	225,078	-	239,612	-
- Central Europe, Eastern Europe, Greece and Turkey	281,109	-	299,968	-
- Southern Europe	338,292	3,918	353,494	3,387
- United Kingdom and Ireland	273,655	-	266,501	-
- North America	98,686	-	98,393	-
- Oceania, Asia and other emerging markets	125,529	-	135,883	-
Total	**3,017,675**	**878,981**	**3,432,245**	**863,019**

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 31/12/2016	7,819,050	1,577,588	677,142	1,246,547	1,791,099	496,942	265,506	33,605	**13,907,479**
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**

18.c) Acquisitions of property, plant and equipment and intangible assets

Thousands of Euros

FY 2016	Spain	The Netherlands and Scandinavian countries	Central and Eastern Europe, Greece and Turkey	Southern Europe	United Kingdom and Ireland	North America	Oceania, Asia and other emerging markets	Total
Acquisitions of tangible fixed assets	18,218	803	2,158	3,534	2,908	491	623	**28,735**
Acquisitions of investment property	125,943	-	-	-	-	-	-	**125,943**
Acquisitions of intangible assets	5,095	19,801	577	1,315	11,198	10	12	**38,008**

Thousands of Euros

FY 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 tangible fixed assets	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**

19. Details of related parties

During 2016, 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	844	-	28,796
Total	**844**	**-**	**28,796**
LIABILITIES			
Accounts payable	860	-	531
Total	**860**	**-**	**531**
PROFIT AND LOSS			
Provision of services (payments)	(58,664)	-	(9,528)
Provision of services (charges)	7,801	-	1,110
Total	**(50,863)**	**-**	**(8,418)**
OTHERS			
Dividends paid	-	1,108	51,210
Total	**-**	**1,108**	**51,210**

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 2016 are as follows:

in Thousands of Euros	Group Companies
ASSET/LIABILITY	
Deposits for reinsurance	6,257
Credits/debts for reinsurance/coinsurance transactions	9,051
Technical provisions reinsurance	31,137
Acquisition costs and commissions	7,115
Total	**53,560**
PROFIT AND LOSS	
Premiums of accepted/transferred reinsurance	78,092
Benefits paid for accepted/transferred reinsurance	18,379
Interest	-
Change in technical provisions	28,587
Accepted/assigned reinsurance commissions	15,645
Total	**140,703**

20. Other information

20.a) Employees

In compliance with Article 260 of the revised text of the Law on Capital Companies, the Group provides the following breakdown of the average number of full-time employees (or equivalent) of the parent and its subsidiaries in 2016 and 2015 by job category and gender.

Professional category	Number of people			
	31/12/2015	31/12/2016 (*)		
		Men	Women	Total
Executives	197	192	67	259
Heads and Graduates	1,316	917	359	1,276
Clerical and sales staff	4,647	2,378	2,367	4,745
Junior staff	362	96	259	355
Total	**6,522**	**3,583**	**3,052**	**6,635**

(*) At December 31, 2016, 93 employees of Grupo Previsora Bilbaína are included

The total number of employees on December 31, 2016 was 7,139, including 365 employees of Grupo Previsora Bilbaína.

In relation to disability, the Group complies with LISMI (Act for social integration of the disabled) in different scopes, complying with the requirement of integrating 2% of the staff with disability, or opting for a mixed formula between this integration and the economic support of Special Employment Centres.

20.b) Board Members' and senior executives' remuneration and other benefits

The Board of Directors of the parent company is made up of 9 people, 8 men and 1 woman, and 7 corporate members, represented physically by 7 men.

In 2016 and 2015, the Board Members received the following remuneration from the subsidiaries:

Board Members' remuneration

Members of the Board of Directors	Thousands of Euros	
	FY 2015	Fiscal Year 2016
Concept or remuneration -		
Fixed remuneration	1,605	1,701
Variable remuneration	279	311
Allowances	566	574
Bylaws	3,282	3,282
Other	99	103
Total	**5,831**	**5,971**

In addition, the unconsolidated deferred variable remuneration stands at EUR 94 thousand.

The Group holds a civil liability insurance policy where the policyholder in the parent company including, among other employees, the board of directors and executives of the Group. Said policy has generated an expense for the insurance payment in the year 2016 of EUR 48 thousand.

Other Board Members' retributions

	Thousands of Euros

Members of the Board of Directors	FY 2015	Fiscal Year 2016
Other benefits-	-	-
Advances	-	-
Loans granted	-	-
Pension schemes and funds: Contributions	-	-
Pension schemes and funds: Liabilities incurred	-	-
Life insurance premiums	211	325
Guarantees provided in favour of Board Members	-	-
Total	**211**	**325**

Remuneration of members of the senior management, excluding members of the Board of Directors

	Thousands of Euros	
SENIOR MANAGEMENT	**FY 2015**	**Fiscal Year 2016**
Total remuneration received by senior management	3,315	2,565

In addition, the unconsolidated deferred variable remuneration stands at EUR 157 thousand.

In preparing these consolidated financial statements 8 people have been classified as senior managers as of December 31, 2016 and 2015.

On December 31, 2016 and 2015 there have been no advances or loans granted by the Parent company to the members of the Board of Directors, nor have any liabilities been incurred by these members as security.

Under Article 229 of the Law on Capital Companies approved by Royal Decree 1/2010 of 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 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 September 15, it is noted that that, apart from dividends and retributions received, no related-party transactions took place during the fiscal year with Board Members or managers or other similar parties, except for transactions which have been eliminated in the consolidation process and immaterial transactions undertaken in the normal course of business under normal market conditions. These last transactions are described in the Corporate Governance Report.

20.d) Auditors' fees

During 2016 and 2015, 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 2016

Description	Thousands of Euros	
	Services provided by the main auditor (*)	**Services provided by other audit firms** (*)
Audit Services	3,062	169
Other verification services	946	317
Total Audit and related services	**4,008**	**486**
Tax Advisory Services	-	1,215
Other services	452	789
Total Professional Services	**452**	**2,004**

(*) Ex-VAT amounts.

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.

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. Amount	
	2015	**2016**
Average period to pay suppliers (days)	17.97	18.61
Ratio of operations paid (days)	17.63	18.63

Ratio of operations pending payment (days)	33.48	18.07
Total payments made (Thousands of Euros)	307,801	266,157
Total pending payments (Thousands of Euros)	6,682	8,615

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 2016 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 December 31, 2016, 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.

Appendices

Annex I: List of subsidiaries at December 31, 2016

Annex II: List of associates at December 31, 2016

Annex I: List of subsidiaries at December 31. 2016

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	Other global accumulated result	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%	5,192,905	18,030	238,486	58,563 *(1)*	342,449	1,083,728	-
Grupo Compañía Española de Crédito y Caución, Sociedad Limitada Paseo de la Castellana, 4 Madrid	Shareholder	73.84%	-	73.84%	624,680	18,000	605,587	1,001 *(2)*	-	-	45,747
Atradius NV and Subsidiaries David Ricardostraat, 1 1066 JS Amsterdam (Netherlands)	Credit and suretyship insurance and complementar y insurance activities	35.77%	47.43%	83.20%	4,388,918	79,122	1,312,352	211,772	22,201	893,757	203,079
Salerno 94, S.A. Avenida Alcalde Barnils, 63 Sant Cugat del Vallés (Barcelona)	Financial investments	100%	-	100%	39,185	721	37,034	1,426	-	-	1,442
Cosalud Servicios, S.A. Avenida Alcalde Barnils, 63 Sant Cugat del Vallés (Barcelona)	Lease of industrial facilities and others	100%	-	100%	10,221	3,005	6,286	362	398	-	553
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%	5,993	391	4,677	275 *(3)*	39	-	6,913
GCO Reaseguros, S.A. Avenida Alcalde Barnils, 63 Sant Cugat del Vallés (Barcelona)	Reinsurance	100%	-	100%	82,014	9,050	208	2,339 *(4)*	19	14,467	-
Bilbao, Compañía Anónima de Seguros y Reaseguros, S.A. Paseo del Puerto, 20 Getxo (Vizcaya)	Insurance and reinsurance	-	99.73%	99.73%	1,910,255	28,009	82,251	1,042 *(5)*	152,535	474,971	-
BILBAO HIPOTECARIA, S.A., E.F.C. Paseo del Puerto, 20 Getxo (Vizcaya)	Mortgages loans	-	99.73%	99.73%	60,446	4,450	1,097	456	-	-	2,138
S. Órbita, Sociedad Agencia de Seguros, S.A. Paseo del Puerto, 20 Getxo (Vizcaya)	Insurance Agency	-	99.73%	99.73%	2,851	1,100	248	9	-	-	8,120
Bilbao Telemark, S.L. Paseo del Puerto, 20 Getxo (Vizcaya)	Telemarketing	-	99.73%	99.73%	225	37	19	7	-	-	1,368
Bilbao Vida y Gestores Financieros, S.A. Paseo del Puerto, 20 Getxo (Vizcaya)	Insurance Agency	-	99.73%	99.73%	551	60	42	2	-	-	3,904
Nortehispana. De Seguros y Reaseguros, S.A. Pau Claris, 132 Barcelona	Insurance and reinsurance	-	99.78%	99.78%	322,586	18,030	28,230	9,455	25,494	130,064	-
Plus Ultra, Seguros Generales y Vida, S.A. de Seguros y Reaseguros Plaza de las Cortes, 8 Madrid	Insurance and reinsurance	-	100%	100%	1,972,057	97,619	184,941	16,725 *(6)*	57,746	735,407	-

Figures in Thousands of Euros

Company		% Voting rights			Summarised financial information						
(Registered name and domicile)	Activity	Direct	Indirect	Total	Total Assets	Share Capital	Equity reserves	Profit for the year net of dividends	Other global accumulated result	Earned Premiums Net of Reinsurance	Ordinary Income
Inversiones Menéndez Pelayo SICAV, S.A. Avda. Diagonal 399 Barcelona	Financial investments	-	99.99% (*)	99.99% (*)	32,596	57,792	(25,962)	732	-	-	1,003
Hercasol, S.A. SICAV Avenida Diagonal, 399 Barcelona	Financial investments	-	59.50% (*)	59.50% (*)	12,834	6,103	5,898	808	-	-	947
Catoc SICAV, S.A. Avenida Alcalde Barnils, 63 Sant Cugat del Vallés (Barcelona)	Financial investments	-	99.85% (*)	99.85% (*)	125,598	8,286	109,469	7,814	-	-	8,142
PREPERSA de Peritación de Seguros y Prevención, A.I.E. Jesús Serra Santamans, 1 Sant Cugat del Vallés (Barcelona)	Prevention and appraisal	-	100%	100%	2,674	60	923	8	28	-	4,531
Tecniseguros, Sociedad de Agencia de Seguros, S.A. Avenida Alcalde Barnils, 63 Sant Cugat del Vallés (Barcelona)	Insurance Agency	-	100%	100%	566	60	34	(18)	-	-	5,724
Catalana Occidente Capital, Agencia de Valores, S.A. Avenida Alcalde Barnils, 63 Sant Cugat del Vallés (Barcelona)	Brokerage Agency	-	100%	100%	4,536	300	3,563	385	71	-	1,274
Grupo Catalana Occidente Tecnología y Servicios, A.I.E. Avenida Alcalde Barnils, 63 Sant Cugat del Vallés (Barcelona)	Auxiliary insurance services	-	99.92%	99.92%	47,775	35,244	541	22	-	-	71,181
Grupo Catalana Occidente Contact Center, A.I.E. Jesús Serra Santamans, 3 - 4º planta Sant Cugat del Vallés (Barcelona)	Customer service	-	99.95%	99.95%	1,103	600	98	-	-	-	6,484
Inversions Catalana Occident, S.A. Avinguda Carlemany, 65 Escaldes Engordany (Andorra)	Creation, management and operation of insurance entities	-	100%	100%	3,977	60	402	(46)	-	-	2,738
Grupo Previsora Bilbaína (**) Alameda Mazarredo, 73 Bilbao	Insurance and reinsurance, mediation and funeral business	-	100%	100%	145,172	7,993	82,271	8,748	379	41,991	14,663

(*) Only the shares outstanding have been taken into account to determine the share percentage. Likewise, the value of treasury shares has been deducted from the above equity reserves.

(**) The leaders of said Group are Azkaran, Sociedad Limitada, PB Cemer 2002, Sociedad Limitada and Arroita 1878, S.L.

(1) The company has paid an interim dividend of EUR 72,000 thousand and has posted an increase in the equalisation provision for the amount of EUR 4,377 thousand.

(2) The Company paid an interim dividend of EUR 44,100 ~~thousand .~~thousand.

(3) The Company paid an interim dividend of EUR 1,250 ~~thousand .~~thousand.

(4) The company has posted an increase in the equalisation provision for the amount of EUR 200 thousand.

(5) The company has paid an interim dividend of EUR 32,708 thousand and has posted an increase in the equalisation provision for the amount of EUR 1,602 thousand.

(6) The company has posted an increase in the equalisation provision for the amount of EUR 6,605 thousand.

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 2016 and has been duly adapted, for every company, to the Group's accounting policies.

The figures for Atradius N.V. include the data for their subsidiaries relating to the profit or loss for the year and equity reserves.

In the case of insurance companies, the figure for earned premiums net of reinsurance is given. In all other companies, the figure given is ordinary income.

Annex II: List of associates at December 31, 2016

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	readjustment valuations	Earned Premiums Net of Reinsurance	Ordinary Income
Inversiones Credere S.A. Santiago - Chile	Shareholder	49.99%	-	49.99%	5,511	980	4,532	(1,045)	-	-	49
Calboquer, S.L. Villarroel, 177-179 08936 Barcelona	Medical, Social, Psychological and Legal Telephone Consultancy	-	20.00%	20.00%	445	60	113	14	-	-	1,702
Asitur Asistencia. S.A. Avenida Encuartes, 21 Tres Cantos (Madrid)	Assistance	-	42.82%	42.82%	30,116	2,945	9,025	1,323	-	-	154,324
Gesiuris, S.A., Sociedad Gestora de Instituciones de Inversión Colectiva Rambla Catalunya, 38, 9ª planta Barcelona	Investment company	-	26.12% (*)	26.12% (*)	7,617	301	4,948	375 *(1)*	297	-	7,719
CLAL Credit Insurance Tel Aviv - Israel	Credit and suretyship insurance	-	16.64%	16.64%	77,886	3,148	41,103	407	3,208	13,160	-
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%	106,502	4,414	29,743	14,282	3,913	9,605	-
The Lebanese Credit Insurer S.A.L. Beirut - Lebanon	Credit and suretyship insurance	-	40.68%	40.68%	14,723	2,228	1,262	163	119	3,676	-

(*) 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 EUR 350 thousand.

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 2016 and has been duly adapted, for every company, to the Group's accounting policies. The financial statements of the above companies are for the period ended December 31, 2016.

Auditor Report
Grupo Catalana Occidente

Deloitte.

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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, Sociedad Anónima ("the Parent") and Subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 December 2016, 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, Sociedad Anónima 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, Sociedad Anónima and Subsidiaries as at 31 December 2016, 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 2016 contains the explanations which the Parent's directors consider appropriate about the situation of Grupo Catalana Occidente, Sociedad Anónima 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 2016. 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, Sociedad Anónima and Subsidiaries.

DELOITTE, S.L.
Registered in ROAC under no. S0692

Álvaro Quintana

23 February 2017

Corporate Governance Report
Grupo Catalana Occidente

APPENDIX I

ANNUAL CORPORATE GOVERNANCE REPORT ON LISTED COMPANIES

IDENTIFICATION DETAILS OF THE ISSUER

CLOSING DATE OF FISCAL YEAR OF REFERENCE	31/12/2016

T.I.N.	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 ON LISTED COMPANIES

A OWNERSHIP STRUCTURE

A.1 Complete the following table regarding the Company's equity:

Date of last modification	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 rights indirect vote	% of total of rights vote
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:

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 rights
JOSÉ IGNACIO ÁLVAREZ JUSTE	0	0	0.00%
FEDERICO HALPERN BLASCO	28,283	0	0.02%
JOSÉ MARÍA SERRA FARRÉ	470,582	0	0.39%
FRANCISCO JAVIER PÉREZ FARGUELL	0	0	0.00%
JUAN IGNACIO GUERRERO GILABERT	0	0	0.00%
MARÍA ASSUMPTA SOLER SERRA	179,404	0	0.15%
FRANCISCO JOSÉ ARREGUI LABORDA	51,264	29,301	0.07%
HUGO SERRA CALDERÓN	6,500	0	0.01%
JORGE ENRICH IZARD	0	0	0.00%
JUSAL, S.L.	0	0	0.00%
COTYP, S.L.	10,000	0	0.01%
VILLASA, S.L.	540,730	0	0.45%

Name, or company name, of the Director	Number of direct voting rights	Number of indirect voting rights	% Of total voting rights
INVERSIONES GIRÓ GODÓ, S.L.	26,800	0	0.02%
JS INVEST, S.L.	200	0	0.00%
ENSIVEST BROS 2014, S.L.INOC, S.A.	0	0	0.00%
LACANUDA CONSELL, S.L.	50	0	0.00%

Name, or company name, of indirect shareholder	Through: Name or company name of direct shareholder	Number of voting rights
FRANCISCO JOSÉ ARREGUI LABORDA	DOÑA CELIA BRAVO ARÉVALO	26,850
FRANCISCO JOSÉ ARREGUI LABORDA	DOÑA BEATRIZ ARREGUI BRAVO	2,451

% of total voting rights held by the Board of Directors	1.12%

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 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 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 over share capital
0	2,039,537	1.70%

(*) Through:

Name or company name of direct shareholder	Number of direct shares
SALERNO 94, S.A.	2,039,537
Total:	2,039,537

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 Grupo Catalana on April 23, 2015, within the limits and subject to the requirements of the 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 Article 146 of the Law on Capital Companies, is less than the amount of capital plus legal or reservations 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 Internal Regulation for 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.

A.9.bis Estimated floating capital:

	%
Estimated floating capital	35.12

A.10 Explain any restrictions on the transferability of shares and/or any restrictions on voting rights. In particular, report the existence of any type of restriction that could hinder the takeover of the Company through the acquisition of its shares in the market.

Yes [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 it is required a minimum of 250 shares registered in the appropriate Accounting Registry, at least five days before the date of the holding of the General Meeting. Shareholders holding fewer shares may group them to complete at least that number, thus appointing a representative among them.

Furthermore, there are restrictions imposed by insurance regulations that set administrative conditions for the direct or indirect acquisition of insurance companies or insurance company stock based on certain thresholds.

A.11 Indicate whether the General Meeting has resolved to adopt measures to 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 inefficiency of the restrictions:

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.1State whether there are, and if so describe, any divergence from the minimum requirements contemplated in the Law on Capital Companies regarding the quorum necessary to hold the Annual General Meeting.

Yes [ ] No [X]

B.2State whether there are, and if so describe, any divergence from the requirements contemplated in the Law on Capital Companies for the adoption of corporate resolutions:

Yes [ ] No [X]

Describe how it differs from the requirements specified in the LSC.

B.3Describe 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 Law on Capital Companies.

Moreover, pursuant to the terms of articles 286 and 287 of the Law on Capital Companies, for amendments of the By-Laws, the Directors or the shareholders who present motions must draft the entire text of the proposed modifications 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:

General Meeting date	Attendance data				
	% of physical attendance	% represented	% distance voting		Total
			Electronic vote	Other	
22/04/2015	66.48%	14.06%	0.00%	0.00%	80.54%
28/04/2016	66.19%	14.81%	0.00%	0.13%	81.13%

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	CHIEF EXECUTIVE OFFICER	26/04/2012	22/04/2015	VOTE AT AGM

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
FEDERICO HALPERN BLASCO		Proprietary	DIRECTOR	25/11/1993	28/04/2016	VOTE AT AGM
JOSÉ MARÍA SERRA FARRÉ		Executive	CHAIR	15/04/1975	25/04/2013	VOTE AT AGM
FRANCISCO JAVIER PÉREZ FARGUELL		Independent	CHIEF EXECUTIVE	25/02/2015	22/04/2015	VOTE AT AGM
JUAN IGNACIO GUERRERO GILABERT		Independent	CHIEF EXECUTIVE	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 CHIEF	29/01/1998	22/04/2015	VOTE AT AGM
HUGO SERRA CALDERÓN		Executive	CHIEF	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.	JOSÉ MARIA JUNCADELLA SALA	Proprietary	DIRECTOR	29/04/2010	24/04/2014	VOTE AT AGM
COTYP, S.L.	ALBERTO THIEBAUT ESTRADA	Proprietary	DIRECTOR	23/02/2012	28/04/2016	VOTE AT AGM
VILLASA, S.L.	FERNANDO VILLAVECCHIA OBREGÓN	Proprietary	DIRECTOR	26/06/1997	28/04/2016	VOTE AT AGM
INVERSIONES GIRÓ GODÓ, S.L.	ENRIQUE GIRÓ GODÓ	Proprietary	DIRECTOR	29/11/2007	28/04/2016	VOTE AT AGM
JS INVEST, S.L.	JAVIER JUNCADELLA SALISACHS	Proprietary	VICE-CHAIR	25/11/2010	22/04/2015	VOTE AT AGM
ENSIVEST BROS 2014, S.L.	JORGE ENRICH SERRA	Proprietary	DIRECTOR	25/02/2015	22/04/2015	VOTE AT AGM
LACANUDA CONSELL, S.L.	CARLOS FEDERICO HALPERN SERRA	Proprietary	DIRECTOR	29/04/2010	24/04/2014	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:

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 organisational chart of society
JOSÉ IGNACIO ÁLVAREZ JUSTE	CHIEF EXECUTIVE OFFICER
JOSÉ MARÍA SERRA FARRÉ	CHAIRMAN CHIEF EXECUTIVE
FRANCISCO JOSÉ ARREGUI LABORDA	OFFICER GENERAL DIRECTOR
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 MARÍA	CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, S.A.
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.
ENSIVEST BROS 2014, S.L.INOC, S.A.	CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, S.A.
LACANUDA CONSELL, 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

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.
Graduated by Harvard and Insead.

Director of San Miguel, beer and malt manufacturer, between 2005 and 2015. Partner Director of Clearwater International.
Member of the ESADE Board and Chairperson of the Audit Committee.

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."

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 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			
	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Proprietary	1	1	1	1	6.25%	6.25%	6.25%	6.25%
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%	6.25%

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 ("Regulations of the Board"), 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. In addition, pursuant to article 16 of the Regulations of the Board of Directors, the Appointments and Remuneration Committee is entrusted the role of setting targets to increase the representation of the under-represented sex on the Board and devising plans for achieving the target numbers, in the case that there are vacancies in the same.

C.1.6 It explains the measures that, where applicable, would be taken by the appointment committee so that the selection procedures would not include the implicit biases that impede the selection of female board members, and the company deliberately seeks and includes among potential candidates women that meet the professional profile in question.

Explanation of measures
The Appointments and Remuneration Committee is charged with ensuring that the procedures indicated above are respected and that candidates of both sexes who meet the requirements for the position are considered. In addition, in conformance with article 16.5.k) of the Regulations of the Board of Directors, the Appointments and Remuneration Committee has the function of setting targets to increase the representation of the under-represented sex on the Board and devising plans for achieving the target numbers, in the case that there are vacancies in the same.

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 number of Directors has been reduced in recent years and the only changes have been re-elections or the replacement of legal-entity Directors with natural person Directors.

C.1.6 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 that, by 2020, the number of female Directors represents at least 30% of the total number of Directors.

Explanation of conclusions
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 Commerce 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, although it has come to hold, indirectly, a stake of 4.27% of the Company.

State if any formal requests for Board membership have not been honoured for shareholders whose stake is equal or greater 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 ☒

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:

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 Commerce 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 CRÉDITO Y CAUCIÓN S.A. DE SEGUROS Y REASEGUROS	CHAIR	NO
JOSÉ IGNACIO ÁLVAREZ JUSTE	ATRADIUS N.V.	CHAIRMAN SUPERVISORY BOARD	NO
JOSÉ IGNACIO ÁLVAREZ JUSTE	NORTEHISPANA DE SEGUROS Y REASEGUROS, S.A.	CHIEF EXECUTIVE	NO
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	NO
JOSÉ IGNACIO ÁLVAREZ JUSTE	PLUS ULTRA, SEGUROS GENERALES Y VIDA, S.A. DE SEGUROS Y REASEGUROS	CHIEF EXECUTIVE	NO
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.	CHIEF EXECUTIVE	NO
JOSÉ IGNACIO ÁLVAREZ JUSTE	CATALANA OCCIDENTE CAPITAL, AGENCIA DE VALORES, S.A.	DIRECTOR	NO
JOSÉ IGNACIO ÁLVAREZ JUSTE	GRUPO COMPAÑÍA ESPAÑOLA DE CRÉDITO Y CAUCIÓN, S.L.	CHAIR	NO
JOSÉ IGNACIO ÁLVAREZ JUSTE	GRUPO CATALANA OCCIDENTE TECNOLOGÍA Y SERVICIOS, AIE	CHAIR	NO
JOSÉ IGNACIO ÁLVAREZ JUSTE	GRUPO CATALANA OCCIDENTE CONTACT CENTER, AIE	CHAIR	NO
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	NO
JOSÉ MARÍA SERRA FARRÉ	SEGUROS CATALANA OCCIDENTE S.A. DE SEGUROS Y REASEGUROS	CHAIR	YES
JOSÉ MARÍA SERRA FARRÉ	PLUS ULTRA, SEGUROS GENERALES Y VIDA, S.A. DE SEGUROS Y REASEGUROS	CHAIR	NO
JOSÉ MARÍA SERRA FARRÉ	BILBAO COMPAÑIA ANÓNIMA DE SEGUROS Y REASEGUROS, S.A.	CHAIR	NO
JOSÉ MARÍA SERRA FARRÉ	HERCASOL, S.A. SICAV	DIRECTOR	NO
JOSÉ MARÍA SERRA FARRÉ	GRUPO COMPAÑÍA ESPAÑOLA DE CRÉDITO Y CAUCIÓN, S.L.	DIRECTOR	NO
FRANCISCO JAVIER PÉREZ FARGUELL	SEGUROS CATALANA OCCIDENTE S.A. DE SEGUROS Y REASEGUROS	DIRECTOR	NO
JUAN IGNACIO GUERRERO GILABERT	SEGUROS CATALANA OCCIDENTE S.A. DE SEGUROS Y REASEGUROS	CHIEF EXECUTIVE	NO
MARÍA ASSUMPTA SOLER SERRA	SEGUROS CATALANA OCCIDENTE S.A. DE SEGUROS Y REASEGUROS	DIRECTOR	NO
FRANCISCO JOSÉ ARREGUI LABORDA	ATRADIUS CRÉDITO Y CAUCIÓN, S.A. DE SEGUROS Y REASEGUROS	DIRECTOR	NO
FRANCISCO JOSÉ ARREGUI LABORDA	ATRADIUS N.V.	VICE-CHAIR SUPERVISORY BOARD	NO
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	NO
FRANCISCO JOSÉ ARREGUI LABORDA	SEGUROS CATALANA OCCIDENTE S.A. DE SEGUROS Y REASEGUROS	DIRECTOR-SECRETARY; DIRECTOR GENERAL	YES
FRANCISCO JOSÉ ARREGUI LABORDA	CATOC, SICAV, S.A.	CHAIR	NO
FRANCISCO JOSÉ ARREGUI LABORDA	GRUPO CATALANA OCCIDENTE GESTIÓN DE ACTIVOS, S.G.I.I.C., S.A.	DIRECTOR	NO

Name, or company name, of the Director	Name of the group company	Office/s	Does he/she hold executive functions?
FRANCISCO JOSÉ ARREGUI LABORDA	PLUS ULTRA, SEGUROS GENERALES Y VIDA, S.A. DE SEGUROS Y REASEGUROS	CHIEF EXECUTIVE	NO
FRANCISCO JOSÉ ARREGUI LABORDA	BILBAO COMPAÑIA ANÓNIMA DE SEGUROS Y REASEGUROS, S.A.	CHIEF EXECUTIVE	NO
FRANCISCO JOSÉ ARREGUI LABORDA	BILBAO HIPOTECARIA, S.A., E.F.C.	CHIEF EXECUTIVE	NO
FRANCISCO JOSÉ ARREGUI LABORDA	INVERSIONES MENÉNDEZ PELAYO, SICAV, S.A.	CHAIR	NO
FRANCISCO JOSÉ ARREGUI LABORDA	CATALANA OCCIDENTE CAPITAL, AGENCIA DE VALORES, S.A.	CHIEF EXECUTIVE	NO
FRANCISCO JOSÉ ARREGUI LABORDA	GRUPO COMPAÑÍA ESPAÑOLA DE CRÉDITO Y CAUCIÓN, S.L.	REPRESENTATIVE DIRECTOR	NO
FRANCISCO JOSÉ ARREGUI LABORDA	GRUPO CATALANA OCCIDENTE TECNOLOGÍA Y SERVICIOS, AIE	CHIEF EXECUTIVE	NO
FRANCISCO JOSÉ ARREGUI LABORDA	GRUPO CATALANA OCCIDENTE CONTACT CENTER, AIE	DIRECTOR	NO
HUGO SERRA CALDERÓN	ATRADIUS CRÉDITO Y CAUCIÓN, S.A. DE SEGUROS Y REASEGUROS	DIRECTOR	NO
HUGO SERRA CALDERÓN	ATRADIUS N.V.	MEMBER SUPERVISORY BOARD	NO
HUGO SERRA CALDERÓN	SEGUROS CATALANA OCCIDENTE S.A. DE SEGUROS Y REASEGUROS	CHIEF EXECUTIVE	YES
HUGO SERRA CALDERÓN	PLUS ULTRA, SEGUROS GENERALES Y VIDA, S.A. DE SEGUROS Y REASEGUROS	DIRECTOR	NO
HUGO SERRA CALDERÓN	INVERSIONES MENÉNDEZ PELAYO, SICAV, S.A.	DIRECTOR	NO
HUGO SERRA CALDERÓN	HERCASOL, S.A. SICAV	REPRESENTATIVE DIRECTOR	NO
HUGO SERRA CALDERÓN	GRUPO COMPAÑÍA ESPAÑOLA DE CRÉDITO Y CAUCIÓN, S.L.	CHIEF EXECUTIVE	NO
HUGO SERRA CALDERÓN	GRUPO CATALANA OCCIDENTE TECNOLOGIA Y SERVICIOS, AIE	CHIEF EXECUTIVE	YES
HUGO SERRA CALDERÓN	GRUPO CATALANA OCCIDENTE CONTACT CENTER, AIE	DIRECTOR	YES
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	CHIEF EXECUTIVE	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
ENSIVEST BROS 2014, S.L.INOC, S.A.	SEGUROS CATALANA OCCIDENTE S.A. DE SEGUROS Y REASEGUROS	CHIEF EXECUTIVE	NO
LACANUDA CONSELL, S.L.	SEGUROS CATALANA OCCIDENTE S.A. DE SEGUROS Y REASEGUROS	DIRECTOR	NO
JUAN IGNACIO GUERRERO GILABERT	BILBAO COMPAÑÍA ANÓNIMA DE SEGUROS Y REASEGUROS, S.A.	DIRECTOR	NO
JUAN IGNACIO GUERRERO GILABERT	NORTEHISPANA DE SEGUROS Y REASEGUROS, S.A.	DIRECTOR	NO
JUAN IGNACIO GUERRERO GILABERT	PLUS ULTRA, SEGUROS GENERALES Y VIDA, S.A. DE SEGUROS Y REASEGUROS	DIRECTOR	NO

Name, or company name, of the Director	Name of the group company	Office/s	Does he/she hold
HUGO SERRA CALDERÓN	BILBAO COMPAÑÍA ANÓNIMA DE SEGUROS Y REASEGUROS, S.A.	DIRECTOR	NO
HUGO SERRA CALDERÓN	NORTEHISPANA DE SEGUROS Y REASEGUROS, S.A.	DIRECTOR	NO
HUGO SERRA CALDERÓN	GRUPO CATALANA OCCIDENTE GESTIÓN DE EACTIVOS, S.G.I.I.C., S.A.	CHAIR	NO
HUGO SERRA CALDERÓN	CATOC, SICAV, .S.A.	DIRECTOR	NO
FRANCISCO JAVIER PÉREZ FARGUELL	BILBAO COMPAÑÍA ANÓNIMA DE SEGUROS Y REASEGUROS, S.A.	CHIEF EXECUTIVE	NO
FRANCISCO JAVIER PÉREZ FARGUELL	NORTEHISPANA DE SEGUROS Y REASEGUROS, S.A.	DIRECTOR	NO
FRANCISCO JAVIER PÉREZ FARGUELL	PLUS ULTRA, SEGUROS GENERALES Y VIDA, S.A. DE SEGUROS Y REASEGUROS	DIRECTOR	NO
FRANCISCO JOSÉ ARREGUI LABORDA	COSALUD SERVICIOS, S.A.	REPRESENTATIVE SOLE ADMINISTRATOR	YES

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 serves 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 himself, or that of his spouse or other person having a comparable relationship, or close relatives. Also not taken into account are positions on the 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)	5,971
Amount of current Directors’ vested pension rights (thousands of euros)	325
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	DIRECTOR CORPORATE INTERNAL AUDIT
JAVIER MAIZTEGUI OÑATE	EXECUTIVE DIRECTOR OF BILBAO COMPAÑÍA ANÓNIMA DE SEGUROS Y REASEGUROS,S.A.
AUGUSTO HUESCA CODINA	GENERAL DIRECTOR NORTEHISPANA DE SEGUROS Y REASEGUROS, S.A.
LUÍS ESTRELLA DE DELÁS	DEPUTY GENERAL DIRECTOR GENERAL
JUAN CLOSA CAÑELLAS	BUSINESS COMMERCIAL DIRECTOR
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)	2,722

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.	CHIEF EXECUTIVE
FEDERICO HALPERN BLASCO	INOC, S.A.	CHIEF EXECUTIVE
FEDERICO HALPERN BLASCO	CORPORACIÓN CATALANA OCCIDENTE, S.A.	CHIEF EXECUTIVE
FEDERICO HALPERN BLASCO	DEPSA 96, S.A.	CHIEF EXECUTIVE
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	CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, 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.	CHIEF EXECUTIVE OFFICER
JORGE ENRICH IZARD	LA PREVISIÓN 96, S.A.	CHIEF EXECUTIVE
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
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.	CHIEF EXECUTIVE VICE-CHAIR
JS INVEST, S.L.	LA PREVISIÓN 96, S.A.	VICE-CHAIR
JS INVEST, S.L.	INOC, S.A.	VICE-CHAIR

Name, or company name, of the Director	Company name of significant shareholder	Office/s
JS INVEST, S.L.	CORPORACIÓN CATALANA OCCIDENTE, S.A.	VICE-CHAIR
ENSIVEST BROS 2014, S.L.INOC, S.A.	LA PREVISIÓN 96, S.A.	CHIEF EXECUTIVE
ENSIVEST BROS 2014, S.L.INOC, S.A.	INOC, S.A.	CHIEF EXECUTIVE
ENSIVEST BROS 2014, S.L.INOC, S.A.	CORPORACIÓN CATALANA OCCIDENTE, S.A.	CHIEF EXECUTIVE
LACANUDA CONSELL, S.L.	CORPORACIÓN CATALANA OCCIDENTE, S.A.	CHIEF EXECUTIVE
LACANUDA CONSELL, S.L.	LA PREVISIÓN 96, S.A.	CHIEF EXECUTIVE
LACANUDA CONSELL, S.L.	INOC, S.A.	CHIEF EXECUTIVE

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

The Board of Directors approved in the session on February 25, 2016, after a proposal from the Audit Committee, the modification of articles 2, 9, 15, 16 and 23 of the Regulations of the Board with the purpose of including in the same the new items introduced by (i) the Code of Good Governance for Listed Companies approved by the CNMV in February 2015; and (ii) Law 22/2015, of 20 July, on Account Audit, with regards to article 529 quaterdecies LSC relative to the Audit Committee. A report about the amendments included therein was made available to the General Meeting of Shareholders held on April 28, 2016, 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.

In addition, the Board of Directors approved in the session of October 27, 2016 the modification of article 17.1 of the Regulations of the Board of Directors in order to establish as eight the minimum number of annual sessions of the same, attending to the provisions of recommendation 26 of the Code of Good Governance for Listed Companies. This modification, although it has been communicated to the CNMV, is currently pending registration in the Trade Registry 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 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 Remuneration Committee, within the scope of their authority, will strive to ensure that only the candidates with recognized solvency, competence and experience 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 January 1, 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. Additionally, 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 2016, 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 in which cases 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 required reinforced majorities, apart from legal, for some for some kind of decision?

Yes ☐ No ☒

If so, describe the differences.

C.1.24 State if there are any specific requirements different 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 quality 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 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	11
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	3
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	176
% 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 BOARD
FRANCISCO JOSÉ ARREGUI LABORDA	MEMBER GENERAL DIRECTOR

C.1.32 Give details of any mechanisms established by the Board of Directors designed to avoid having the individual and consolidated financial statements presented to the general meeting 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 external 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 Law on 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)	308	144	452
Fees for non-audit services / Total fees invoiced by the auditor (%)	42.72%	3.85%	10.14%

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	14	14
Number of years audited by the present auditing firm as a % of the years for which audits have been performed.	40.00%	56.00%

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 Board 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.
(vi) In situations which may damage the credit and reputation of the Company and, in particular, when accused in a criminal case and processed or an oral trial is opened for any of the crimes indicated in the company legislation.

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 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
JS INVEST, S.L.	MEMBER	Proprietary

% of Proprietary Directors	33.33%
% of Independent Directors	66.67%
% 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, the Appointments and Remuneration Committee will be made up of between 3 and 5 members, all External Directors and the majority being independent board members; 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, among others, the following functions (a complete list can be found in article 16 of the Regulations of the Board of Directors):

(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 or submitting a recommendation to be decided by the General Meeting 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 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; as well as the remunerations policy applied to boards members and executives, verifying the information on the remunerations;
(x) 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;
(xi) 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
FRANCISCO JAVIER PÉREZ FARGUELL	CHAIRMAN	Independent
JUAN IGNACIO GUERRERO GILABERT	MEMBER	Independent
LACANUDA CONSELL, S.L.	MEMBER	Proprietary

% of Proprietary Directors	33.33%
% of Independent Directors	66.67%
% 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, the Appointments and Remuneration Committee will be made up of between 3 and 5 members, all non-executive directors, appointed by the Appointments and Remuneration Committee, and the majority being independent board members with the relevant technical knowledge and experience. The Board of Directors will elect a Chair of the Audit Committee from among the Independent Directors, who will be replaced every 4 years and who may be re-elected one year after the expiration of the last term of office.

2) The Audit Committee may be validly convened when at least one-half of its members are in attendance 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 has, among others, the following functions (a complete list can be found in article 15 of the Regulations of the Board of Directors):

(i) Reporting at the General Meeting on matters raised by the shareholders falling under its jurisdiction and, particularly, on the result of the audit;
(ii) Proposing the selection, appointment, re-election and contract conditions and mandate, as well as removal/non-removal of the auditors of external accounts;
(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) Functions relative to the unit of internal audit;
(v) 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;
(vi) Issuing an annual report on the independence of the auditors, making a declaration on the provision of additional services by the same or linked people;
(vii) Gathering information on the structural modifications and corporate operations and their economic conditions and accounting impact;
(viii) Evaluating the results of each audit;
(ix) Knowing the process of elaboration, integrity and preparation and presentation of the financial information. Reviewing the company's accounts, monitoring compliance with legal requirements, adequate establishment of the consolidation scope and the correct application of generally accepted accounting principles.
(x) Supervising the information the Board of Directors proposes to approve and include in its annual public documentation;
(xi) Overseeing compliance with the Internal Regulation of 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 and periodically evaluating the adequacy; and
(xii) Functions relative to the corporate responsibility policy and the communication strategy and relationship with shareholders and investors.

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 board member with experience	FRANCISCO JAVIER PÉREZ FARGUELL
Number of years that the Chair has been in office	1

C.2.2 Complete the following chat 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 2016		**Fiscal Year 2015**		**Fiscal Year 2014**		**Fiscal Year 2013**	
	Number	**%**	**Number**	**%**	**Number**	**%**	**Number**	**%**
COMMMITTEE OF APPOINTMENTS AND REMUNERATION	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 FY. 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.

During the year 2016, the Board of Directors approved certain modifications with regards to articles 2, 9, 15, 16, 17 and 23 of the Regulations of the Board with the aim of adapting the same to the Code of Good Governance approved by the CNMV in February 2015 and the new items introduced by Law 22/2015 on Account Audits.

There is a voluntary annual report on the activities of the Audit Committee.

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 the 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 the 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.	GRUPO CATALANA OCCIDENTE, S.A.	Corporate	Dividends and other distributable profits	4,895
CORPORACIÓN CATALANA OCCIDENTE, S.A.	GRUPO CATALANA OCCIDENTE, S.A.	Corporate	Dividends and other distributable profits	25,859
LA PREVISIÓN 96, S.A.	GRUPO CATALANA OCCIDENTE, S.A.	Corporate	Dividends and other distributable profits	20,456

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:

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): 174,474

Brief description of the transaction:

LOANS

Name of the entity within the group

BILBAO COMPAÑIA ANÓNIMA DE SEGUROS Y REASEGUROS, S.A.

Amount (thousands of euros): 120,985

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): 5,397

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): 3,075

Brief description of the transaction:

LOAN INTEREST ACCRUAL

Name of the entity within the group

SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS

Amount (thousands of euros): 90

Brief description of the transaction:

ACTUARIAL FUNCTION SERVICES

Name of the entity within the group

SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS

Amount (thousands of euros): 132

Brief description of the transaction:

RISK MANAGEMENT SERVICES

Name of the entity within the group

BILBAO COMPAÑÍA ANÓNIMA DE SEGUROS Y REASEGUROS, S.A.

Amount (thousands of euros): 55

Brief description of the transaction:

ACTUARIAL FUNCTION SERVICES

Name of the entity within the group

BILBAO COMPAÑÍA ANÓNIMA DE SEGUROS Y REASEGUROS, S.A.

Amount (thousands of euros): 70

Brief description of the transaction:

RISK MANAGEMENT SERVICES

Name of the entity within the group

NORTEHISPANA DE SEGUROS Y REASEGUROS, S.A.

Amount (thousands of euros): 25

Brief description of the transaction:

ACTUARIAL FUNCTION SERVICES

Name of the entity within the group

NORTEHISPANA DE SEGUROS Y REASEGUROS, S.A.

Amount (thousands of euros): 32

Brief description of the transaction:

RISK MANAGEMENT SERVICES

Name of the entity within the group

PLUS ULTRA SEGUROS GENERALES Y VIDA, S.A. DE SEGUROS Y REASEGUROS

Amount (thousands of euros): 85

Brief description of the transaction:

ACTUARIAL FUNCTION SERVICES

Name of the entity within the group

PLUS ULTRA SEGUROS GENERALES Y VIDA, S.A. DE SEGUROS Y REASEGUROS

Amount (thousands of euros): 108

Brief description of the transaction: RISK MANAGEMENT SERVICES

Name of the entity within the group

GCO REASEGUROS, S.A.

Amount (thousands of euros): 15

Brief description of the transaction:

ACTUARIAL FUNCTION SERVICES

Name of the entity within the group

GCO REASEGUROS, S.A.

Amount (thousands of euros): 18

Brief description of the transaction:

RISK MANAGEMENT SERVICES

Name of the entity within the group

ATRADIUS CRÉDITO Y CAUCIÓN, S.A. DE SEGUROS Y REASEGUROS

Amount (thousands of euros): 190

Brief description of the

transaction: ACTUARIAL

FUNCTION SERVICES

Name of the entity within the group

ATRADIUS REINSURANCE DAC

Amount (thousands of euros): 40

Brief description of the transaction:

ACTUARIAL FUNCTION SERVICES

Name of the entity within the group

CATALANA OCCIDENTE CAPITAL, AGENCIA DE VALORES, S.A.

Amount (thousands of euros): 6

Brief description of the transaction:

RISK MANAGEMENT AND REGULATORY COMPLIANCE SERVICES

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 ("LOSSEAR") and its development by article 44 of Royal Decree 1060/2015, of 20 November, on the organisation, supervision and solvency of insurance and reinsurance entities ("ROSSEAR"), 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, (v) internal evaluation process of risks and solvency policy ("ORSA") and (vi) policies relative to the Partial Internal Model for the Underwriting risk of the Credit and Surety area.

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.

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 Group 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". Said principle 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 November 26, 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 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 the regulations, the risks faced by this line of business can be divided into different risk groups: (i) biometric (which includes the risks of mortality, longevity, morbidity/disability); (ii) diminishing portfolio; (iii) costs; (iv) adjustment; and (v) catastrophe.
(i) biometrics (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

The various insurance entities of the Group are exposed to a complex and changing regulatory and legal environment (especially after the entry into force of the LOSSEAR 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 Company, as head of the Group, carries out constant monitoring of the changes in the regulatory framework that permit anticipation and adaptation to the same with sufficient prior notice, adopting the best practice and the most efficient and rigorous criteria for 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.

The Company 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 the ORSA process, 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, through the ORSA process, other risks are included such as reputational, strategic and regulatory risks.

In this sense, during the year 2016 there was no deviation with regards to the risk appetite approved by the Company nor have any significant risks to the Company materialised.

E.6Explain 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 underwriting of its products on the one hand and the risk derived from the investments affected by the provisions generated by said products.

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 of the adequacy of the technical underwriting regulations;
(ii) Product analysis, aimed at determining the adequacy of premiums;
(iii) Analysis of the evolution of the technical provisions;
(iv) Use of the adequate reinsurance structure, following a policy allowing the Group to increase the business retained, in so far as its scale of operations and solvency allow. The transfers are carried out fundamentally through the Group's reinsurer to companies of recognised solvency;
(v) Adequate actions relative to portfolio monitoring;
(vi) Quantification of the Appraisal Value at individual entity level and consolidated level; and
(vii) Regulatory capital calculation.

In this sense, the Actuarial Department will be consolidating the values of some companies that had previously been using an appraisal value system and will assume the coordination of 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 of the adequacy of the technical underwriting regulations;
(ii) Product analysis, aimed at determining the adequacy of premiums;
(iii) Analysis of the evolution of the technical provisions;
(iv) Sensitivity analysis of the product portfolio;

(v) Use of the adequate reinsurance structure, following a policy allowing the Group to increase the business retained, in so far as its scale of operations and solvency allow. The transfers are carried out fundamentally through the Group's reinsurer to companies of recognised solvency;
(vi) Quantification of European Embedded Value; and
(vii) Regulatory capital calculation.

3. Financial risk:

(i) Classification of assets 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) Porfolio VaR 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:

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.

Furthermore, there is an evaluation process for the effectiveness of the internal procedures implemented and the events of operational losses reported are noted in order to perfect the Risk Management System and to avoid the possibility of these risks being repeated in the future.

5. Regulatory, legal and tax risks

The Group ensures compliance with the various regulations applicable to entities comprising the Group through audits carried out by various Departments, including the following:

(i) Legal and General Secretariat Department: The objectives include maintaining an adequate and consistent compliance with the legal regulations within the different entities of the Group.
(ii) Department of Management and Planning Control: Other objectives include availing of and implementing adequate control of the economic-financial information of the Company and its budgets, complying with the accounting regulations.
(iii) Solvency Management: Manager of the risk management control in the Group and, in particular, of guaranteeing full implementation of the solvency regulations.
(iv) Corporate Internal Audit Department: With regard to regulatory compliance risk, this department is responsible for seeing that the control and self-control measures stipulated by the Group have been successfully implemented.

In terms of tax risk, the Tax Department of the Group is in charge of establishing the control processes to guarantee compliance with tax regulations in force based on the Corporate Tax Policy. Prior to the formulation of the Annual Accounts and the presentation of the Corporate Income Tax, the manager of the Group's tax issues notifies the Board Member of the tax strategies applied by the Company and the Group during the year and, in particular, of the level of compliance with said 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 relevant risk factor.

F INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS IN RELATION TO THE ENTITY'S FINANCIAL REPORTING PROCESS (ICFR) (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 (FRICFRIC).

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 ICFR; (ii) its implementation; and (iii) its supervision.

The following corporate bodies and functions are responsible for maintaining an adequate FRICFRIC 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 FRICFRIC.

(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 FRICFRIC 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 FRICFRIC.

(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 and, in particular, the Group's Steering Committee. 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 gas 60 unique positions for staff involved in the drafting and review of financial information, 17 of which are currently documented with a description of job profiles. These descriptions are prepared by the person occupying the position under the supervision of his or her manager. Mainly, job descriptions 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 on January 29, 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 is applicable to Board members and employees of Grupo Catalana Occidente, S.A. and the subsidiaries and groups of economic interest which they form part of, with principal address in Spanish territory and the Principality of Andorra (jointly, the "Group"), as well as a network of agents and collaborators that are related to the same, and has wide publicity through an internal newsletter as well as being 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, the Group 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 the Group.

On June 25, 2015, the Board 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.

As a consequence of the corporate reorganisation of the Group and the entry into force of various legislative modifications, during the year 2016, modifications of a technical type were introduced, which have affected the Protocol for action in the case of receiving an inspection or Information Request and the Protocol for action in the case of receiving judicial documentation.

On the other hand, the Entity has approved a new Internal Code of Conduct (in substitution of the previous Code of Conduct) approved by the Board on September 29, 2016, which is published on the Entity's corporate website.

Since the approval of the old Code of Conduct various regulatory modifications have taken place, which affect the regime of conduct and transparency in listed companies that have motivated the update and adaptation of the old Code of Conduct.

In particular, the following stands out:

(i) The definitions included in the Code of Conduct have been adapted to that used in the legislation relative to prevention of market abuse, as well as to the regime of Solvency II.

(ii) The subjective scope of application of the Code of Conduct has been adapted. In particular, the definition of Linked Person has been slightly modified.

(iii) A period for prohibition of transactions with shares of the Entity has been included, which is imperative for all people subject to the Code of Conduct.

(iv) It includes the specific regulation of the portfolio management contracts that may have been underwritten by people subject to the same with regards to the GCO values.

(v) A more detailed regime has been included with regards to the safekeeping of privileged information and treatment of confidential documents of the Company.

(vi) An article has been included with regards to people subject to the Code of Conduct: the obligation to abstain from preparing or carrying out practices that falsify the free formation of prices with regards to the GCO shares or issue of the same.

(vii) A special regime has been introduced with regards to the treasury share operations by the Entity.

(viii) A regime has been included for conflict of interest of people subject to the Group, excluding members of the Board, whose regime is already established in the Law on Capital Companies.

This Code of Conduct is of mandatory application for the following people and it must be formally signed by each of them:

(i) The administrators and executives of the Entity;

(ii) Directors and members of senior management;

(iii) The personnel of the Unit of Relationships with Analysts, Investors and Rating Agencies;

(iv) The Initiated (as defined in the Code of Conduct);

(v) Any other person in the Group and the External Advisors that, due to their role, employment or provision of services have access to Privileged Information;

(vi) The Treasury Shares Managers;

(vii) Any other person expressly included by decision of the Chairman of the Audit Committee.

The Code of Conduct assigns to the Secretary of the Board of the Entity and/or the Regulatory Compliance Unit of the Entity and/or the Manager of the Treasury Shares Management, as corresponds, the following functions for management of the items established in 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, with the support of the Unit for Relationships with Analysts, Investors and Rating Agencies, 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; and

(vii) 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 informing the People Subject of the Code of Conduct, 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. Furthermore, this Committee is charged with handling possible violations of the Code of Conduct and, where applicable, taking disciplinary 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, as has been mentioned above, a protocol in place on "How to Proceed in Cases of Irregularities and Fraud" that take place within the Catalana Occidente Group. The aforementioned Protocol was updated along with the Code of Ethics through a resolution of the Board of Directors on January 29, 2015. Later, due to the entry into force of the organic laws 1/2015 and 2/2015, dated 30 March, which modify the Organic Law 19/1985, dated 23 November, of 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.

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 FRICFRIC. 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 2016, a total of 4,419 hours of training, both internal and external, was completed 297 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 65 employees have attended 27 training events, with a total of 1,796 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 within the FRFRIC and follow the planned protocol so that the information is controlled from the time it is generated in the Entity and the entities pertaining to the

Group until it reaches the Board of Administration of the Entity, passing through the Financial Management and the General Management of the same, among other filters.

In order to document any issues that may arise, there is an incident log where the analysis of the incident is reflected along with the solution adopted and, where necessary, an action plan to improve the risk identification process and controls.

- Whether the process covers all aspects of financial reporting (existence and occurrence, integrity; valuation; presentation, disclosure and comparability; rights and obligations), whether it is updated regularly and, if so, how often.

The risk identification process is focused on the risk of the financial reporting information being generated with errors or the risk of the information being delayed. (The financial assertions have not been separately identified). The processes in which financial information is generated are analysed at least once a year with the aim of identifying the risk of possible errors.

- The existence of a process for identifying the consolidation framework, bearing in mind that there may be complex corporate structures and special purpose vehicles or entities (SPV/SPE), among other things.

The scope of accounting, management and tax consolidation are defined and identified according to current regulations and they are reviewed and updated when there are direct or indirect changes to the Company's shareholder composition or that of any Group entity, when a Group company creates or acquires a company outside of the consolidation scope, when there is a business reorgansiation process (merger, spin-off) or when a company is wound up or liquidated.

The process of defining and identifying the scope of consolidation is handled by the Company's Corporate Accounting Department, which in turn notifies the Management Control and Planning Department of any changes or adjustments to be made to the consolidation parameters.

- Whether the process takes other types of risks into account (operational, technological, financial, legal, reputational, environmental, etc.) to the extent that they affect the financial statements.

Within the financial reporting environment, in addition to the operational, financial and legal risks inherent to the economic sector in which the Company and the member companies of its Group operate, the technological risk is significant.

To mitigate this risk, there are certain specific control for each process which are described in Section E.3 above. The Company also has a technological contingency plan in place which has been approved, formalised, implemented and testes.

- Which one of the Company's governing bodies supervises the process.

Pursuant to the Regulations of the Board of Directors, the Board has delegated, to the Audit Committee, the responsibility of periodically supervising ICFR 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 FRICFRIC 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 year-end close is clearly documented. This procedure is 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 FRICFRIC.

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 October 29, 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 evaluation of certain structured investments with Serfiex. This process is supervised by the Financial Investment Department based on the comparison of said evaluations using internal models.

F.4 Information and communication

State whether the following exists and, if so, describe the main characteristics:

F.4.1. There is a specific area in charge of defining accounting policies and keeping them up to date (accounting policies area or department) and resolving any interpretative questions or conflicts that may arise by keeping the lines of communication open with the people in charge of operations at the Company. There is also an accounting policy handbook that is kept up to date and distributed to the Company’s operating units.

The Corporate Accounting Unit which reports to Corporate Finance is responsible for defining and coordinating the accounting policies of the Company and the member companies of the Group. In particular, one of this units many functions is to analyse the regulatory changes that can affect the Company’s accounting policies and the member companies of the Group, oversee the application of those policies and, if necessary, coordinate any internal changes that may affect the flows of financial information inasmuch as accounting policies are concerned.

Corporate Accounting Committee meetings are held to discuss any questions or conflicts that may arise surrounding the interpretation of accounting policies ((an average of about two per year) attended by the heads of the different Spanish Accounting entities formed the consolidated group entity. Also occur monthly Financial Management Committees attended by CFOs in the Spanish entities comprising the Company's consolidated group. These committees are treated incidents generated during the period and track doubts about interpretations and accounting policies and planning of accounting closings of the Entity and the Spanish entities within the consolidated group is performed.

In addition, the Accounting Coordination Subcommittee meets once a month with Atradius NV, the Dutch company that is a member of the Catalana Occidente Group. Those committee meetings are attended by the Company’s Director of Finance and Control, the Director of Accounting and Corporate Accounting, the Director of Finance of Atradius NV and the Directors of Corporate Accounting, Consolidation and Reporting, among others. Some of the issues addressed at these meetings include incidents and questions surrounding accounting standards and their interpretation and other relevant aspects related to the companies’ accounting. Minutes of these meetings are drafted for internal use.

Finally, the Company, as the parent of a consolidated group, is in the process of preparing an accounting policy handbook of which a first draft is already available. 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 FRICFRIC.

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 FRIC 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 FRICFRIC. Also, describe the scope of the FRIC 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 FRIC.

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 a multi-annual plan, 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 realization, 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 2016, 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 ICFR 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 FRIC 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 either directly or through an external consultant, all the ICFR processes in five-year cycles, for the purposes of identifying the risks inherent to the ICFR 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 ICFR audits carried out during 2016, a review has been performed by an independent external consultant other than the external accounts auditor of the Entity, covering the documentation of three of the processes completed at Nortehispana de Seguros y Reaseguros, S.A., for the purposes of identifying the risks inherent to the ICFR 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 FRIC 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 ICFR 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 analyses being conducted to incorporate all of the financial reporting controls agreed upon for the internal control tool which 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 with most relevance with the frequency established for each control. 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 ICFR 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, FRIC 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 2016, the Corporate Internal Audit area audited the processes that were reviewed by the aforementioned external consultant in 2014, at Seguros Catalana Occidente, S.A. de Seguros y Reaseguros and at Bilbao, Compañía Anónima de Seguros y Reaseguros, i.e., four and three processes, respectively, of the twenty processes identified as generating financial information. The Corporate Internal Audit area aims to extend this audit in the year 2017 to the following three processes that the external consultant revised during the year 2015. Furthermore, in 2016 the audit of the Control of Changes and Computer Logic Security was carried out, which was carried out in 2013 by the mentioned external consultant. In 2016, it also audited four processes of the ICFR 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 Audit Committee.

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 FRIC 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 FRIC 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. Said explanations are given first by the Chairman, the Secretary, who is the person leading the Meeting, thus equally reaching the objectives of the Recommendation. 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 ☒

The Audit Committee and the Appointment and Remuneration Committee, as corresponding, analyses the issues considered in sections a) to D) above and informs the Board of Members of the same, with regards to sections a) to c) through the corresponding reports. However, the company only publishes the reports that must be made available to shareholders on its corporate website, pursuant to regulations in force. With regards to the non-obligatory reports, the Company does not publish them as it understands that the topics considered in the same are sufficiently reflected in the documentation made available to the shareholders in accordance with the valid regulations.

7. That the company broadcasts General Meetings of Shareholders live on its website.

Complies ☐ Explain ☒

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 80% 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 the Company is constantly improving its corporate website. The objective is 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.

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 ☒ 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 ☒ 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 ☒

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 ☒

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 ☒ 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 ☒ 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 re-election 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 re-election 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 ☒

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.
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.
Therefore, the objective sought by this Recommendation is equally met.

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 not 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 total 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]

Independent Directors represent 12.5% of the total number of Directors out of the recommended 33%. 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 share capital, with the proprietary directors representing a similar percentage to that held in share capital by the significant shareholders that proposed their appointment. 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 ☐ Partially complies ☒ Explain ☐

The Company publishes on its website, and keeps updated, all of the information that makes reference to this recommendation with the exception of reporting on other paid activities carried out by the board members, regardless of nature, as it understands that, to the extent that said activities (i) are not in conflict with the corporate purpose of the Company and its group of companies (which they are specifically asked about); and (ii) permits them to comply with their functions and dedication to their work as board members under the framework of the establishments of the Regulations of the Board and the LSC, it is not necessary to publish said information.

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 ☒ 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 ☒ 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 ☒ 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 ☒ 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 should draw the appropriate conclusions and, if he chooses to resign, explain the reasons in the letter referred to in the following recommendation.

This recommendation also applies to the Secretary of the Board 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 it's 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, at least 8 times a year, 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.

Compli [X] Partially complies [ ] Explain [ ] Not [ ]

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 ☒ 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 ☒ 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 ☒ 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 ☒ 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 ☒ Partially complies ☐ Explain ☐

34. That when there is a coordinating director, the by-laws or regulations of the board of directors, as well as the capacities that correspond legally, attribute the following capacities: to preside the board of administration in the absence of the chairman and the vice-chairs, if applicable; to report the concerns of the non-executive board members; to maintain contacts with investors and shareholders to learn their points of view with regards to forming an opinion about their concerns, particularly in relation to the corporate governance of the company; and to coordinate the succession plan of the Chair.

Compli ☒ Partially complies ☐ Explain ☐ Not ☐

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. Most 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 ☒ 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 ☒ 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 ☒ 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 [X] Partially complies [ ] Explain [ ]

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 [X]

Although after the modification of the Regulations of the Board approved on February 25, 2016, the Audit Committee has been attributed with the following functions with regards to the corporate responsibility policy of the Company, on the date of this Report, the Company does not have a written policy for corporate social responsibility. However, during the year 2017 it is anticipated that a written policy of corporate social responsibility will be approved, which is currently being prepared, to reflect the actions that are already carried out by the Company in this field.

However, the Company 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 Company and the actions it has carried out in relation with its corporate social responsibility are detailed in the management report of the Company.

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 sall 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 ☒ 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 ☒

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 ☒ Partially complies ☐ Explain ☐ Not applicable ☐

64. That payments for contract termination do not exceed a 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 ☒ Explain ☐ Not applicable ☐

The Executive Directors 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.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 3,756 thousand euros.

Also, it should be noted that the included amount of 94 thousand euros corresponds to long-term variable remuneration which has not been effectively paid, but rather has been deferred and its receipt is subject to the terms of the Company's Remuneration Policy, which is published on the corporate website.

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 71 thousand euros, which are included in this section.

Note to Section C.1.16

It is stated that although Mr. Josep Vilá Tortosa has been included, he passed away during the year of 2016. Furthermore, between the reference date of this Report and its date of issue, Mr. Juan Closa Cañellas has become the General Director of Seguros Catalana Occidente, S.A. de Seguros y Reaseguros and Don David Capdevila Ponce has become the chief executive officer of Plus Ultra Seguros Generales y Vida, S.A. de Seguros y Reaseguros.

Also, it should be noted that the included amount of 157 thousand euros corresponds to long-term variable remuneration which has not been effectively paid, but rather has been deferred and its receipt is subject to the terms of the Company's Remuneration Policy, which is published on the corporate website.

Explanatory note to Section C.1.17

As well as the roles stated in said section, the representatives of Ensivest Bros 2014, S.L and Lacanuda Consell, S.L., Mr. Jorge Enrich Serra and Mr. Carlos Halpern Serra, respectively, hold the roles of board members in the Board of Co Sociedad de Gestión y Participación, S.A. and Mr. Hugo Serra Calderón (i) holds the role of representative of Newsercal, S.L. on the Boards of the following entities: Corporación Catalana Occidente, S.A., La Previsión 96, S.A. and INOC, S.A. and (ii) holds the role of representative of CO Sociedad de Gestión y Participación, S.A. as sole administrator of Aproa 3G Real Estate, S.L.

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

Mr Francisco José Arregui Laborda, Company Secretary of the Company, acts as Non-Member Secretary for the Audit Committee and the Appointments and Remuneration Committee.

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.

Notwithstanding the above, the board members, their representatives, where applicable, and the members of Senior Management have jointly received 1,108 thousand euros as Company dividends during the year 2016.

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 34.

In the Company, there is an office of Coordinating Director. However, the Coordinating Director is not attributed the power of 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).

Explanatory note to Section G. Recommendation 36.

The Board of Directors performs an annual evaluation of the circumstances specified in Recommendation 36. Although an evaluation has not been carried out by an external consultant nor has a description of the process and areas evaluated been included in the annual report on corporate governance, the recommendation establishes a period of 3 years to achieve the assistance of an external consultant.

This Corporate Governance Report has been approved by the Board of Directors of the Company at its meeting held on 23/02/2017.

Indicate whether any Directors voted against or abstained from approving this Report.

Yes ☐ No ☒