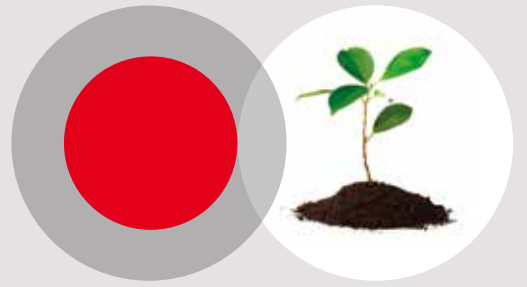




# Annual Report 2015





Annual  
Report  
2015





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01



# Governing Bodies



Board of Directors		Management Committee
CHAIRMAN	Pedro de Macedo	
VICE CHAIRMAN	Ángel Alonso	<i>Vice Chairman</i>
MANAGING DIRECTOR	Eduardo Pérez de Lema	<i>Chairman</i>
BOARD MEMBERS	Ricardo Blanco	<i>Board Member</i>
	Rafael Casas	
	Alfredo Castelo	
	Javier Fernández-Cid	<i>Board Member</i>
	Philippe Hebeisen (Vaudoise Assurances Holding)	
	Mark Hews (Ecclesiastical Insurance)	
	José Manuel Inchausti	
	Pedro López	<i>Board Member</i>
	Rick L. Means (Shelter Mutual Insurance Company)	
	Daniel Quermia	<i>Board Member</i>
	Gregorio Robles	
	Rafael Senén	
SECRETARY – NON-BOARD MEMBER	Juan M. Sanz	<i>Secretary</i>

Includes the appointments and re-elections to be submitted to the General Meeting.

02



# Consolidated Management Report



Due to a lack of significant catastrophes, the reinsurance market has obtained positive, but declining earnings, in an environment of very little growth in most developed economies.

The non occurrence of relevant catastrophes over the last four years has resulted in strong competition in terms of rates and conditions, as well as the entrance of new capital into the market, which has reduced the technical margin of insurers and has propitiated greater retention by the large insurance groups by means of global management of their reinsurance programs. This market situation has favored the consolidation of several operators, by means of mergers or acquisitions, searching for greater scale and business diversification.

In this competitive and complex setting, MAPFRE RE has registered an increase in underwritten premiums and revenue, positive earnings and equity in line with the previous year.

On August 24, 2015, the rating agency, Standard & Poor's, gave MAPFRE RE an A rating with a stable outlook, thus maintaining its rating two points above that of the Kingdom of Spain. On October 21, the A. M. Best agency confirmed the A rating with a stable outlook, endorsing the diversification of the business entered into and the trajectory of positive and stable results.

## KEY ACTIVITIES

MAPFRE RE has obtained revenue of 3,223 million euros and a combined ratio in the non-life business of 93.9 percent, which shows great discipline in the underwriting and quality of the portfolio. Pre-tax earnings and non-controlling interests reached 205 million euros, and equity was 1,174 million euros, all positive figures and obtained against a challenging and competitive background. It is to be noted that the company does not have any financial debt.

## Business activity

Both central services and the offices undertook intense activity in all markets together with the clients and brokers.

The new branch in Labuan, which enables MAPFRE RE to work in the Malaysian market, was set up in 2015. Since November it has been authorized and the new branch in Singapore is

operational. The application for opening a representation office in China was authorized on December 28, 2015, which is the step prior to requesting the opening of a branch in that country following the waiting period required by the regulator. The aim is to have closer contact with clients in the growing Asian market.

During the year, focused on the individual lines, MAPFRE RE participated as a speaker at different sector-specific seminars and conferences held in Spain, Colombia, Chile and Mexico; and training courses were given to clients in Turkey, Chile, Argentina, Mexico and Venezuela.

In relation to the agriculture risks line, training days and experience exchanges were held with technicians from TARSIM (Turkey) and underwriting and claims management training took place in Colombia.

The Reinsurance Forum was held in Madrid, with the participation of 18 guests from 14 countries; and different executives from the company took part in sector conferences, including the *Pacific Insurance Conference (PIC)*, held in Manila, *ALASA (Colombia)* and *Congreso de Biomedicina de Seguros (Spain)*, some of which were sponsored by the company.

## Technical management and client services

Because of highly complex new legal requirements and the opening of new offices, the company's personnel has been reinforced with highly qualified professionals, in both central services and in the offices, continuing with the strong investment in training to professionally develop the team. Specific training has been offered to the management centers in Madrid, Milan, Paris and Bogota on administrative support of the Personal lines. Moreover, company personnel have participated in the training programs offered by the Group, specifically one in the Executive Development Program, three in the *Avanza Program* and eight in the Global Management Program.

In addition to the constant improvement of the IT processes applied to the business, internal work has been continued to apply the Solvency II legislation, which will come into force in 2016; furthermore, MAPFRE RE has adopted and approved a series of corporate policies and rules regarding the faithful compliance with Solvency II. Appropriate contacts and



participation is maintained with the «European Insurance Chief Financial Officers Forum».

MAPFRE RE has continued its collaboration with Fundación MAPFRE and has participated as a speaker at the «Insurance and New Technologies» and «Big Data in Health» conferences

## IT systems

Adaptations have been made to the systems to manage business from the new branches and the new portal has been set up on the Internet, within the project *Marco Global de Internet*.

The model has been built for managing the counterpart risk, which enables a global tracking of MAPFRE's exposure and developing a homogenous and integrated reinsurance policy. Furthermore, the integration of the entire MAPFRE RE infrastructure has been completed in the corporate Data Processing Center in Alcalá de Henares.

Substantial improvements have been incorporated in personal reinsurance management, in both the analysis of portfolio risks and claims. Improvements have also been made to the catastrophic accumulation model and retroceded business management model, as well as to the automation of the weekly closure processes.

## COMPANY

MAPFRE RE DO BRASIL generated revenue of 57.9 million euros, earnings before tax of 10.7 million euros, leaving equity at 34.6 million euros at the end of the year, all within a very competitive market.

INVERSIONES IBÉRICAS and MAPFRE CHILE REASEGUROS have obtained revenues of 49.0 million euro and earnings before tax of 1.1 million euros, closing out the year with an equity of 42.4 million euros.

## OUTLOOK

A moderate recovery in growth is expected within the most developed economies, a slight uptick in interest rates and maintenance of the liquidity flows provided by the central banks to stimulate the economy.

Reinsurance companies must keep focused on obtaining positive technical results - very abated in recent years - which will lead to the search for greater portfolio diversification. Market consolidation processes will be kept active by means of acquisitions and mergers with the aim of reaching size, cost saving and capital.

The best placed companies will be those that pay attention to the needs of their clients, and which have diversified portfolios with the ability to generate sufficient and balanced earnings.

## EVENTS SUBSEQUENT TO THE REPORTING PERIOD

No significant events that may affect the outlook or the budgets for the current year have occurred until the time of closing of this report.

There have been no subsequent events that may affect the financial statements as of December 31, 2015.

## PROPOSED RESOLUTIONS

– Approval of the individual annual accounts for the year 2015 and the following proposal for application of earnings contained in the annual report:

<b>DISTRIBUTION BASIS</b>	
Profit and Loss	146,757,110
Retained earnings	400,147,529
<b>TOTAL</b>	<b>546,904,639</b>

<b>DISTRIBUTION</b>	
Dividend	90,288,835
Equalisation Reserve	23,927,000
Retained earnings	432,688,804
<b>TOTAL</b>	<b>546,904,639</b>

– The proposal involves the distribution of a gross dividend of 1.25 euros to shares numbered 1 to 72,231,068, inclusively, which was fully anticipated on account by resolutions of the Board of Directors adopted on September 29 and December 3.

– Approve the consolidated annual accounts for the year 2015.

– Approve the management of the Board of Directors in 2015.

– Accept the resignation of Giovanni Battista Mazzuchelli, director representing the Società Cattolica di Assicurazione, whose loyal collaboration is appreciated. Appoint Daniel Quermia a new board member of the company, for a term of four years.

– Delegate broader powers to the Chairman of the Board and his Secretary so that either of them may proceed with the implementation of the resolutions adopted by the General Meeting and make them public when necessary.

– Thank those involved in overseeing the company for their loyal hard work this financial year.

## FINANCIAL INFORMATION

Income statement, IFRS (criteria)	2015	2014	Var. % 15/14
<b>ASSUMED (INWARD) REINSURANCE</b>			
Assumed premium	3,731.9	3,343.3	11.6%
Earned premium for the year	3,529.2	3,179.8	11.0%
Loss ratio (including claims-related expenses)	(2,299.9)	(1,900.4)	21.0%
Operating costs and other underwriting expenses	(877.1)	(793.0)	10.6%
<b>ASSUMED REINSURANCE RESULTS</b>	<b>352.1</b>	<b>486.4</b>	<b>(27.6%)</b>
<b>RETROCEDED REINSURANCE</b>			
Premiums and change in unearned premium reserves	(1,234.9)	(1,153.4)	7.1%
Claims paid and change in claims reserve	698.9	489.5	42.8%
Commissions and participations	231.8	234.4	(1.1%)
<b>RETROCEDED REINSURANCE RESULTS</b>	<b>(304.2)</b>	<b>(429.5)</b>	<b>(29.2%)</b>
Other income and underwriting expenses	(2.7)	(3.9)	(32.5%)
<b>RESULTS FROM LIFE AND NON-LIFE TECHNICAL ACCOUNT</b>	<b>45.2</b>	<b>52.9</b>	<b>(14.5%)</b>
Net investments income	163.6	149.7	9.3%
Unrealised investments gains and losses	0.0	0.0	
Other non-underwriting income and expenses	(3.6)	(2.2)	62.2%
Result from minority interests	0.0	(0.1)	(72.1%)
<b>RESULT FROM LIFE AND NON-LIFE BUSINESS</b>	<b>205.1</b>	<b>200.3</b>	<b>2.4%</b>
<b>RESULT FROM OTHER ACTIVITIES</b>	<b>0.0</b>	<b>0.0</b>	
<b>RESULT BEFORE TAXES AND MINORITY INTERESTS</b>	<b>205.1</b>	<b>200.3</b>	<b>2.4%</b>
Income tax	(52.6)	(58.7)	(10.5%)
Results after taxes from discontinued operations	0.0	0.0	
<b>RESULT AFTER TAX</b>	<b>152.6</b>	<b>141.5</b>	<b>7.8%</b>
External partners	0.0	0.0	0.0%
<b>RESULT AFTER TAX AND MINORITY INTERESTS</b>	<b>152.6</b>	<b>141.5</b>	<b>7.8%</b>

€ Millions

Non-Life insurance ratios	2015	2014	Var. % 15/14
Loss ratio for assumed (inward) reinsurance	64.6%	64.5%	0.2%
Expense ratio for assumed (inward) reinsurance	29.3%	28.6%	2.4%
Net combined ratio of retroceded reinsurance	93.9%	93.1%	0.9%

Detail of assumed premiums	2015	2014	Var. % 15/14
Non-Life	3,131.3	2,820.9	11.0%
Life	600.6	522.4	15.0%
<b>TOTAL</b>	<b>3,731.9</b>	<b>3,343.3</b>	<b>11.6%</b>

€ Millions

Key balance sheet data (IFRS)	2015	2014	Var. % 15/14
Financial investment and cash	3,327.7	3,289.1	1.2%
Total assets	5,307.0	5,016.9	5.8%
Equity	1,174.2	1,179.2	(0.4%)
ROE	13.0%	12.4%	4.8%

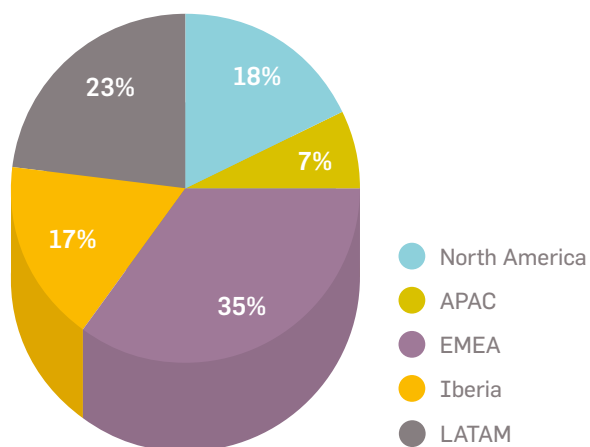
€ Millions

Hedging and solvency data	2015	2014	Var. % 15/14
Technical provisions to be hedged	3,347.6	3,264.8	2.5%
Excess of suitable assets over reserves	1,018.1	917.2	11.0%
Minimum solvency margin (consolidated)	443.3	412.9	7.4%
Solvency margin (consolidated)	1,041.4	1,036.2	0.5%
Minimum number of times	2.3	2.5	(6.4%)

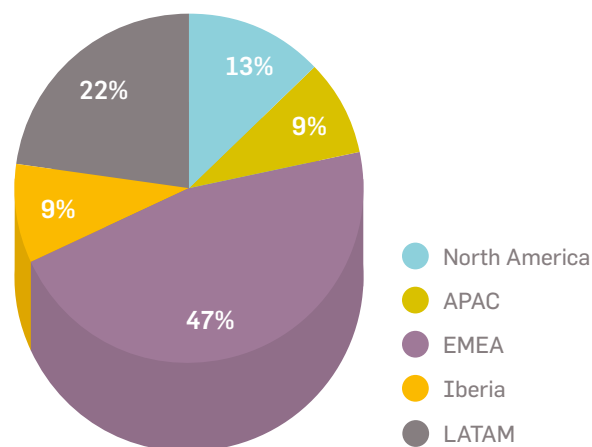
€ Millions

Other information	2015	2014	Var. % 15/14
Average number of employees	342	319	7.2%
Percent of commissions on written premium from inward reinsurance	25.9%	25.4%	2.0%
Percent of internal management expenses on assumed premiums	1.5%	1.5%	0.0%

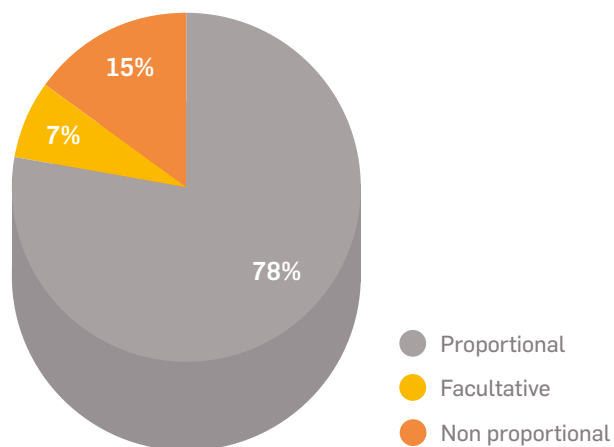
Gross Premium by Area



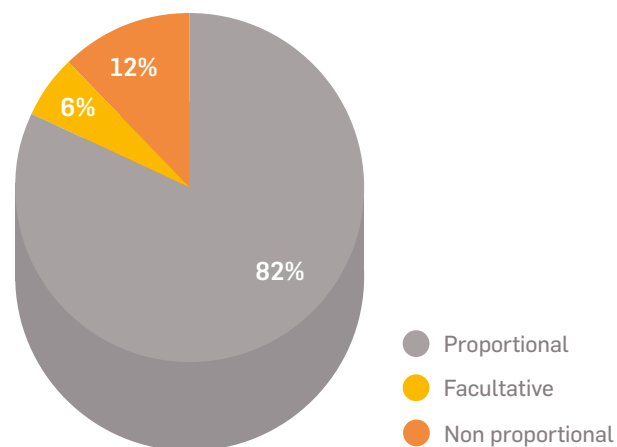
Net Premium by Area



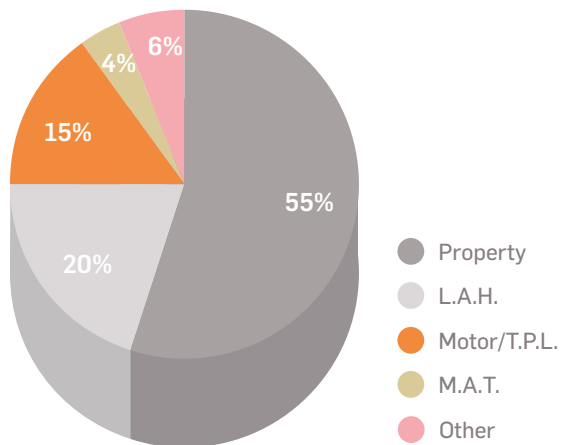
Gross Premium by Line of Business



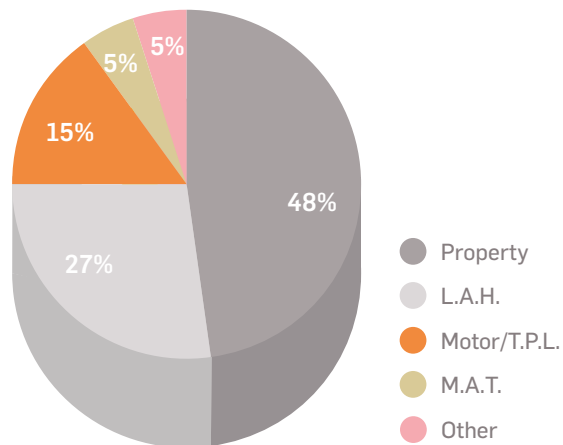
Net Premium by Line of Business



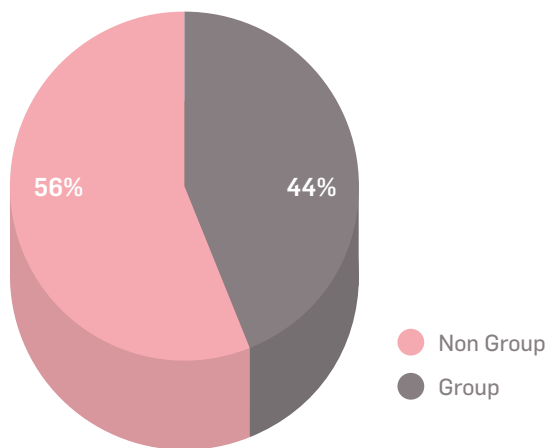
Gross Premium by Line of Business



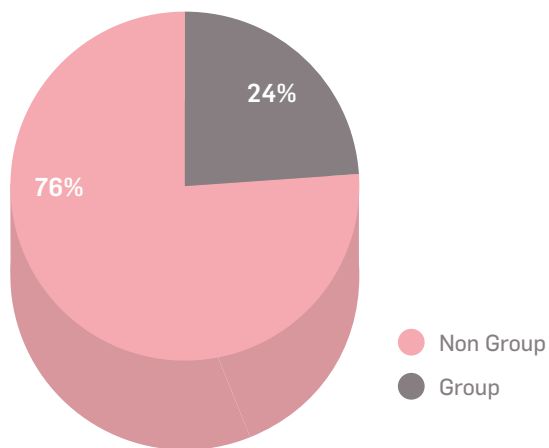
Net Premium by Line of Business



Gross Premium by ceding company



Net Premium by ceding company



## ADDITIONAL NOTES

### ENVIRONMENTAL INFORMATION

During 2015, the Group initiated actions to comply with the new commitments on the updating of its corporate environmental policy adopted in the previous year, regarding climate change management and preservation of biodiversity, and has focused on transparently displaying its environmental performance both internally and by stakeholders, as well as in strengthening global commitment in this area.

With regard to mitigation and adaptation to climate change, MAPFRE has continued to develop the actions defined in its Strategic Plan for Energy Efficiency and Climate Change, which has the objective of reducing Group emissions by 20 percent by 2020. Also taking into account the importance of the effect of actions related to human activities on biodiversity, MAPFRE has undertaken an internal assessment on those ways in which the Group could contribute to its preservation.

Moreover, the strategic model of environmental and energy management (SIGMAYE) continues its international expansion by obtaining new certifications.

In addition, MAPFRE contributes to environmental protection through its products through proper management of environmental risks in the underwriting processes and technical assistance, incorporating environmental criteria for corporate procurement, and marketing those products that promote environmental protection and resource conservation.

The Group's commitment to the environment and sustainability is evident as signatory to the «Climate Disclosure Project» (CDP) and the «Principles for Sustainable Insurance» of the United Nations, as well as participation as a member of the «Spanish Group for Green Growth» established by the Ministry of Agriculture, Food and Environment, and by adhering to new initiatives such as the UN declaration in support reduction of risk of disaster and the Barcelona declaration to drive the change of the model toward a low carbon economy and sustainable development.

### Personnel

At year end, the company staff was structured into the following professional categories:

Category	2015	2014	2013
Directors	97	99	84
Administrative personnel	84	77	96
Other	161	144	135
<b>TOTAL</b>	<b>342</b>	<b>320</b>	<b>315</b>

### Investment

With regard to financial investments, MAPFRE RE's policy to mitigate its exposure to such risks is based on a prudent investment policy, which concentrates most of the portfolio in fixed income securities.

With regard to credit risk, MAPFRE RE's policy has been based on prudence (issuer's solvency) and diversification of fixed-income investments. Thus, the portfolio of fixed income securities is composed mostly of securities of high credit rating.

For both fixed income investments and equities, diversification criteria are applied by sectors and maximum risk limits per issuer.



03



# Annual consolidated financial statements



## A) CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2015 AND 2014

ASSETS	Notes	2015	2014
<b>A) INTANGIBLE ASSETS</b>		<b>1,034</b>	<b>1,499</b>
I. Goodwill		-	-
II. Other intangible assets	6.1	1,034	1,499
<b>B) PROPERTY, PLANT AND EQUIPMENT</b>		<b>10,012</b>	<b>11,061</b>
I. Property for own use	6.2 / 7D	7,381	8,861
II. Other property, plant and equipment	6.2	2,631	2,200
<b>C) INVESTMENT</b>		<b>3,860,609</b>	<b>3,723,249</b>
I. Real estate investment	6.2 / 7D	5,152	5,418
II. Financial investment		3,189,240	3,138,530
1. Held-to-maturity portfolio		-	-
2. Available-for-sale portfolio	6.4 / 7D	3,150,775	3,098,478
3. Trading portfolio	6.4 / 7D	38,465	40,052
III. Investments recorded by applying the equity method		483	6,018
IV. Deposits established for accepted reinsurance		657,577	535,951
V. Other investments	7D	8,157	37,332
<b>D) REINSURANCE'S SHARE IN TECHNICAL PROVISIONS</b>	<b>6.9</b>	<b>664,453</b>	<b>687,841</b>
<b>E) DEFERRED TAX ASSETS</b>	<b>6.17</b>	<b>-</b>	<b>-</b>
<b>F) CREDITS</b>	<b>6.5 / 7B</b>	<b>463,683</b>	<b>334,991</b>
I. Credits on reinsurance operations	6.5 / 7B	451,496	304,008
II. Tax credits	6.5 / 7B	8,938	15,643
1. Income tax receivable		2,156	5,800
2. Other tax credits		6,782	9,843
III. Corporate and other credits	6.5 / 7B	3,249	15,340
<b>G) CASH</b>	<b>6.7 / 7B / 7C</b>	<b>129,751</b>	<b>113,287</b>
<b>H) ACCRUAL ADJUSTMENTS</b>	<b>6.15</b>	<b>177,433</b>	<b>127,063</b>
<b>I) OTHER ASSETS</b>		<b>12</b>	<b>7</b>
<b>TOTAL ASSETS</b>		<b>5,306,987</b>	<b>4,998,998</b>

(Figures in €000)

EQUITY AND LIABILITIES	Notes	2015	2014
<b>A) EQUITY</b>		<b>1,174,170</b>	<b>1,179,190</b>
I. Paid-up capital	6.8	223,916	223,916
II. Share premium	6.8	220,565	220,565
III. Reserves	-	558,841	499,437
IV. Interim dividend	4.2	(90,289)	(80,176)
V. Treasury Stock	-	-	-
VI. Result attributable to controlling company	-	152,566	141,523
VII. Other equity instruments	-	-	-
VIII. Valuation change adjustments	6.8	107,597	160,570
IX. Currency translation differences	6.19	955	13,335
<b>Equity attributable to controlling company's shareholders</b>	-	<b>1,174,151</b>	<b>1,179,170</b>
<b>Minority interests</b>	-	<b>19</b>	<b>20</b>
<b>B) SUBORDINATED LIABILITIES</b>	-	-	-
<b>C) TECHNICAL PROVISIONS</b>	<b>6.9/7C</b>	<b>3,524,915</b>	<b>3,356,941</b>
I. Provisions for unearned premiums and risks in progress	6.9/7C	1,268,457	1,175,632
II. Provisions for life insurance	6.9/7C	474,182	358,084
III. Provision for claims	6.9/7C	1,782,276	1,823,225
IV. Provisions for profit sharing and returned premiums	-	-	-
<b>D) PROVISIONS FOR RISKS AND EXPENSES</b>	<b>6.10</b>	<b>8,998</b>	<b>4,401</b>
<b>E) DEPOSITS RECEIVED ON CEDED AND RETROCEDED REINSURANCE</b>	<b>6.11</b>	<b>60,273</b>	<b>41,181</b>
<b>F) DEFERRED TAX LIABILITIES</b>	<b>6.17</b>	<b>31,069</b>	<b>50,020</b>
<b>G) DEBT</b>	<b>6.12</b>	<b>434,980</b>	<b>315,359</b>
I Due to reinsurance operations	6.12/7C	403,042	290,467
II. Tax liabilities	6.12/6.17	12,744	9,042
1. Tax on profits to be paid	-	1,444	4,653
2. Other tax liabilities	-	11,300	4,389
III. Other debts	6.12	19,194	15,850
<b>H) ACCRUAL ADJUSTMENTS</b>	<b>6.15</b>	<b>72,582</b>	<b>51,906</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	-	<b>5,306,987</b>	<b>4,998,998</b>

(Figures in €000)

B) GLOBAL CONSOLIDATED INCOME STATEMENT FOR YEARS ENDED  
ON DECEMBER 31, 2015 AND 2014

B.1 Consolidated income statement

ITEM	Notes	2015	2014
<b>I. REVENUE FROM INSURANCE BUSINESS</b>			
1. Premiums allocated to the financial year, net	-	2,294,280	2,026,395
a) Direct insurance premiums		-	-
b) Accepted reinsurance premiums	7. A2	3,731,911	3,343,332
c) Ceded reinsurance premiums	6.16	(1,222,210)	(1,139,890)
d) Variations in provisions for premiums and risks in progress, net		(215,421)	(177,047)
Direct Insurance		-	-
Accepted reinsurance	-	(202,754)	(163,546)
Ceded reinsurance	6.16	(12,667)	(13,501)
2. Share of profits from companies recorded by the equity method	-	-	61
3. Revenues from investments	6.14	205,347	173,661
a) From operations	6.14	195,669	161,299
b) From equity	6.14	9,678	12,362
4. Gains from investments on behalf of Life insurance policyholders bearing the investment risk		-	-
5. Other technical revenues		-	-
6. Other non-technical revenues	-	545	2,173
7. Positive translation differences	6.19	723,173	383,795
8. Reversal of the asset impairment provision	6.6/6.5		
<b>TOTAL REVENUE FROM INSURANCE BUSINESS</b>		<b>3,223,345</b>	<b>2,586,085</b>
<b>II. EXPENSES FROM INSURANCE BUSINESS</b>			
1. Claims ratio for the year, net	-	(1,601,073)	(1,410,890)
a) Claims paid and variation in provision for claims, net	-	(1,600,971)	(1,410,732)
Direct Insurance		-	-
Accepted reinsurance	-	(2,299,834)	(1,900,248)
Ceded reinsurance	6.16	698,863	489,516
b) Claims-related expenses	-	(102)	(158)
2. Variation in other technical provisions, net	-	-	-
3. Profit sharing and returned premiums		-	-
4. Net operating expenses	6.15	(645,312)	(558,652)
a) Acquisition expenses	6.15	(863,713)	(782,664)
b) Administration expenses	6.15	(13,424)	(10,338)
c) Fees and participation in reinsurance	6.16	231,825	234,350
5. Share in losses from companies recorded by the equity method	-	(36)	(190)
6. Investments expenses	6.14	(42,252)	(24,020)
a) From operations	6.14	(38,598)	(22,383)
b) From equity and financial accounts	6.14	(3,654)	(1,637)
7. Gains from investments on behalf of Life insurance policyholders bearing the investment risk		-	-
8. Other technical expenses	6.15	(2,657)	(3,938)
9. Other non-technical expenses	6.15	(4,182)	(4,415)
10. Negative translation differences	6.19	(715,862)	(381,041)
11. Allowance to the asset impairment provision	6.6	(6,840)	(2,685)
<b>TOTAL EXPENSES FROM INSURANCE BUSINESS</b>		<b>(3,018,214)</b>	<b>(2,385,831)</b>
<b>III. RESULT FROM THE INSURANCE BUSINESS</b>	<b>6.17</b>	<b>205,131</b>	<b>200,254</b>
<b>IV. RESULT BEFORE TAXES FROM ONGOING OPERATIONS</b>			
<b>V. INCOME TAX ON ONGOING OPERATIONS</b>	<b>6.17</b>	<b>(52,565)</b>	<b>(58,730)</b>
<b>VI. RESULT AFTER TAX FROM ONGOING OPERATIONS</b>	<b>-</b>	<b>152,566</b>	<b>141,524</b>
<b>VII. RESULT AFTER TAX FROM DISCONTINUED ACTIVITIES</b>	<b>-</b>	<b>152,566</b>	<b>141,524</b>
<b>VIII. RESULT FOR THE FINANCIAL YEAR</b>	<b>-</b>	<b>152,566</b>	<b>141,524</b>
1. Attributable to minority shareholders	-	-	(1)
2. Attributable to controlling company	-	152,566	141,523

(Figures in €000)

## B.2 Consolidated statement of recognized revenue and expense

ITEM	GROSS AMOUNT		INCOME TAX		ATTRIBUTABLE TO MINORITY INTERESTS		ATTRIBUTABLE TO CONTROLLING COMPANY	
	2015	2014	2015	2014	2015	2014	2015	2014
<b>A) CONSOLIDATED RESULT IN THE FINANCIAL YEAR</b>	<b>205,131</b>	<b>200,254</b>	<b>(52,565)</b>	<b>(58,730)</b>	-	(1)	<b>152,566</b>	<b>141,523</b>
<b>B) OTHER RECOGNIZED REVENUE (EXPENSES)</b>	<b>(82,674)</b>	<b>146,627</b>	<b>18,557</b>	<b>(33,768)</b>	-	-	<b>(64,117)</b>	<b>112,859</b>
<b>1. Financial assets available for sale</b>	<b>(70,467)</b>	<b>146,161</b>	<b>18,730</b>	<b>(33,643)</b>	-	-	<b>(51,737)</b>	<b>112,518</b>
a) Valuation gains (losses)	(33,197)	165,925	9,413	(39,589)	-	-	(23,784)	126,336
b) Amounts transferred to the income statement	(37,270)	(19,764)	9,317	5,946	-	-	(27,953)	(13,818)
c) Other reclassifications	-	-	-	-	-	-	-	-
<b>2. Currency translation differences</b>	<b>(12,207)</b>	<b>431</b>	<b>(173)</b>	<b>(125)</b>	-	-	<b>(12,380)</b>	<b>306</b>
a) Valuation gains (losses)	(12,207)	431	(173)	(125)	-	-	(12,380)	306
b) Amounts transferred to the gains and losses statement	-	-	-	-	-	-	-	-
c) Other reclassifications	-	-	-	-	-	-	-	-
<b>3. Shadow accounting</b>								
a) Valuation gains (losses)	-	-	-	-	-	-	-	-
b) Amounts transferred to the gains and losses statement	-	-	-	-	-	-	-	-
c) Other reclassifications		35		-		-		35
<b>4. Equity-accounted entities</b>		<b>35</b>						<b>35</b>
a) Valuation gains (losses)		-		-		-		-
b) Amounts transferred to the gains and losses statement		-		-		-		-
c) Other reclassifications		-		-		-		-
<b>5. Other recognized revenue and expenses</b>								
<b>TOTALS</b>	<b>122,457</b>	<b>346,881</b>	<b>(34,008)</b>	<b>(92,498)</b>		<b>(1)</b>	<b>88,449</b>	<b>254,382</b>

(Figures in €000)

All the items included in the consolidated statement of recognized revenue and expenses may be reclassified to the consolidated statement of income in line with IFRS-EU.

## C) CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT DECEMBER 31, 2015 AND 2014

ITEM	NOTES	EQUITY ATTRIBUTABLE TO CONTROLLING COMPANY'S SHAREHOLDERS									MINORITY INTERESTS	TOTAL NET EQUITY
		Paid-up capital	Share premium	Reserves	Interim dividends	Treasury stock	Result attributable to controlling company	Other equity instruments	Valuation adjustments reserves	Currency translation differences		
<b>BALANCE AS AT JANUARY 1, 2014</b>		223.916	220.565	481.402	(85.955)	-	108.807	-	48.017	13.029	24	1.009.805
I. Accounting policy changes												
II. Correction of error												
<b>BALANCE AS AT JANUARY 1, 2014, RESTATED</b>		223.916	220.565	481.402	(85.955)	-	108.807	-	48.017	13.029	24	1.009.805
<b>VARIATION IN FINANCIAL YEAR 2014</b>												
I. Results recognized directly in equity												
1.- Due to revaluation of property, plant and equipment and intangible assets												
2.- Due to investments available for sale									112.518			112.518
3.- Due to cash flow hedges												
4.- Due to translation differences										306		306
5.- Due to other results directly in equity									35			35
<b>TOTAL RESULT RECOGNIZED DIRECTLY IN EQUITY</b>		-	-	-	-	-	-	-	112.553	306	-	112.859
II. Other results for the financial year 2014							141.523					141.523
III. Distribution of the result from financial year 2013				22.852	85.955		(108.807)					
IV. Interim dividends for year 2014					(80.176)							(80.176)
V. Capital increase												
VI. Capital pending disbursement												
VII. Capital reduction												
VIII. Other increases												
IX. Other decreases				(4.817)							(4)	(4.821)
<b>TOTAL VARIATIONS IN FINANCIAL FOR THE YEAR 2014</b>		-	-	18.035	5.779	-	32.716	-	-	-	(4)	56.526
<b>BALANCE AS AT DECEMBER 31, 2014</b>		223.916	220.565	499.437	(80.176)	-	141.523	-	160.570	13.335	20	1.179.190
I. Accounting policy changes												
II. Correction of error												
<b>BALANCE AS AT JANUARY 1, 2015, UPDATED</b>		223.916	220.565	499.437	(80.176)	-	141.523	-	160.570	13.335	20	1.179.190
<b>VARIATIONS IN THE YEAR 2015</b>												
I. Result recognized directly in net equity												
1. Due to evaluation of property, plant and equipment and intangible assets												
2. Due to available for sale investments									(51.737)			(51.737)
3. Due to cash flow hedges												
4. Due to translation differences										(12.380)		(12.380)
5. Due to other results recognized directly in net equity												
<b>II. OTHER RESULTS FOR THE YEAR 2015</b>		-	-	-	-	-	-	-	(51.737)	(12.380)	-	(64.117)
III. Distribution of the result for the period 2014							152.566					152.566
IV. Interim dividends for year 2015				59.903	80.176		(141.523)					(1.444)
V. Capital increase					(90.289)							(90.289)
VI. Capital pending disbursement												
VII. Capital reduction												
VIII. Other increases												
IX. Other decreases				(499)					(1.236)		(1)	(1.736)
<b>TOTAL VARIATIONS IN FINANCIAL YEAR 2015</b>		-	-	59.404	(10.113)	-	11.043	-	(1.236)	-	(1)	59.097
<b>BALANCE AS AT DECEMBER 31, 2015</b>		223.916	220.565	558.841	(90.289)	-	152.566	-	107.597	955	19	1.174.170

(Figures in €000)

The amounts recorded under the "other increases" and "other reductions" items in the "reserves" column are mainly owing to the distribution of the profits from previous years and to transfers between them.

D) CONSOLIDATED CASH FLOW STATEMENT FOR THE YEARS ENDED  
ON DECEMBER 31, 2015 AND 2014

ITEMS	2015	2014
Premiums receipt		
Payments on claims		
Receipts from reinsurance operations	586,198	769,575
Payments on reinsurance operations	(398,465)	(504,071)
Receipts from co-insurance operations		
Payments on coinsurance operations		
Payments of commissions		
Receipts from clients for other activities		
Payments to providers of other activities	-	-
Other operating receipts	964	725
Other operating payments	(79,835)	(86,169)
Corporate tax payments or receipts	(35,876)	(49,465)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>72,986</b>	<b>130,595</b>
Intangible fixed assets acquisitions	(224)	(229)
Acquisitions of property, plant and equipment	(1,017)	(597)
Acquisitions of investments and disbursement of capital increases	(1,473,037)	(158,442)
Net cash paid by deconsolidated companies		
Net cash collected by deconsolidated companies		
Sales of fixed assets	630	281
Investment sales	1,440,301	312
Interest collected	65,699	54,977
Other payments		
Collections per dividends	5,412	6,123
Receipts for granted loans and other financial instruments	-	-
Payments for granted loans and other financial instruments		
<b>NET CASH FLOWS FROM INVESTMENT ACTIVITIES</b>	<b>37,765</b>	<b>(97,575)</b>
Paid dividends and donations	(91,733)	(81,303)
Proceeds from capital increases		
Payments on return of shareholders' contributions		
Collection for issuance of debentures		
Payments for interests and amortization of debentures		
Payments for interests and amortization of other financing activities		
Collections for other financing activities		
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>(91,733)</b>	<b>(81,303)</b>
<b>NET INCREASE/(REDUCTION) IN CASH FLOW</b>	<b>19,017</b>	<b>(48,283)</b>
Translation differences in cash flow and cash balances	(2,553)	(325)
<b>OPENING CASH BALANCE</b>	<b>113,287</b>	<b>161,895</b>
<b>CLOSING CASH BALANCE</b>	<b>129,751</b>	<b>113,287</b>

(Figures in €000)

E) FINANCIAL INFORMATION PER SEGMENT -  
CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2015 AND 2014

ASSETS	LIFE REINSURANCE		NON-LIFE REINSURANCE		TOTAL	
	2015	2014	2015	2014	2015	2014
<b>A) INTANGIBLE ASSETS</b>	<b>106</b>	<b>167</b>	<b>928</b>	<b>1,332</b>	<b>1,034</b>	<b>1,499</b>
I. Goodwill						
II. Other intangible assets	106	167	928	1,332	1,034	1,499
<b>B) PROPERTY, PLANT AND EQUIPMENT</b>	<b>1,137</b>	<b>1,407</b>	<b>8,875</b>	<b>9,654</b>	<b>10,012</b>	<b>11,061</b>
I. Property for own use	931	1,154	6,450	7,707	7,381	8,861
II. Other property, plant and equipment	206	253	2,425	1,947	2,631	2,200
<b>C) INVESTMENTS</b>	<b>784,656</b>	<b>746,256</b>	<b>3,075,953</b>	<b>2,976,993</b>	<b>3,860,609</b>	<b>3,723,249</b>
I. Real estate investment	1,550	1,671	3,602	3,747	5,152	5,418
II. Financial investment	436,580	444,572	2,752,660	2,693,958	3,189,240	3,138,530
1. Held-to-maturity portfolio						
2. Available-for-sale portfolio	421,221	423,756	2,729,554	2,674,722	3,150,775	3,098,478
3. Trading portfolio	15,359	20,816	23,106	19,236	38,465	40,052
III. Investments recorded by applying the equity method	483	5,197		821	483	6,018
IV. Deposits established for accepted reinsurance	342,746	286,721	314,831	249,230	657,577	535,951
V. Other investments	3,297	8,095	4,860	29,237	8,157	37,332
<b>D) PARTICIPATION OF REINSURANCE IN TECHNICAL PROVISIONS</b>	<b>27,985</b>	<b>27,964</b>	<b>636,468</b>	<b>659,877</b>	<b>664,453</b>	<b>687,841</b>
<b>E) DEFERRED TAX ASSETS</b>						
<b>F) CREDITS</b>	<b>57,463</b>	<b>46,191</b>	<b>406,220</b>	<b>288,800</b>	<b>463,683</b>	<b>334,991</b>
I. Credits on reinsurance operations	55,164	33,554	396,332	270,454	451,496	304,008
II. Tax credits	1,713	1,741	7,225	13,902	8,938	15,643
III. Corporate and other credits	586	10,896	2,663	4,444	3,249	15,340
<b>G) CASH</b>	<b>13,180</b>	<b>14,162</b>	<b>116,571</b>	<b>99,125</b>	<b>129,751</b>	<b>113,287</b>
<b>H) ADJUSTMENTS</b>	<b>2,507</b>	<b>3,254</b>	<b>174,926</b>	<b>123,809</b>	<b>177,433</b>	<b>127,063</b>
<b>I) OTHER ASSETS</b>	<b>1</b>	<b>1</b>	<b>11</b>	<b>6</b>	<b>12</b>	<b>7</b>
<b>J) NON-CURRENT ASSETS HELD FOR SALE AND FROM DISCONTINUED OPERATIONS</b>						
<b>TOTAL ASSETS BY SEGMENTS</b>	<b>887,035</b>	<b>839,402</b>	<b>4,419,952</b>	<b>4,159,596</b>	<b>5,306,987</b>	<b>4,998,998</b>

(Figures in €000)

NET EQUITY AND LIABILITIES	LIFE REINSURANCE		NON-LIFE REINSURANCE		TOTAL	
	2015	2014	2015	2014	2015	2014
<b>A) NET EQUITY</b>	<b>151,299</b>	<b>160,486</b>	<b>1,022,871</b>	<b>1,018,704</b>	<b>1,174,170</b>	<b>1,179,190</b>
I. Paid-up capital	22,980	24,926	200,936	198,990	223,916	223,916
II. Share premium	22,637	24,553	197,928	196,012	220,565	220,565
III. Reserves	85,382	84,037	473,459	415,400	558,841	499,437
IV. Interim dividend	(6,174)	(5,089)	(84,115)	(75,087)	(90,289)	(80,176)
V. Treasury Stock						
VI. Result for the period attributable to the controlling company	13,263	8,838	139,303	132,685	152,566	141,523
VII. Other equity instruments						
VIII. Valuation change adjustments	16,296	22,867	91,301	137,703	107,597	160,570
IX. Currency translation differences	(3,104)	334	4,059	13,001	955	13,335
<b>Equity attributable to controlling company's shareholders</b>	<b>151,280</b>	<b>160,466</b>	<b>1,022,871</b>	<b>1,018,704</b>	<b>1,174,151</b>	<b>1,179,170</b>
<b>Minority interests</b>	<b>19</b>	<b>20</b>			<b>19</b>	<b>20</b>
<b>B) SUBORDINATED LIABILITIES</b>						
<b>C) TECHNICAL PROVISIONS</b>	<b>678,608</b>	<b>624,340</b>	<b>2,846,307</b>	<b>2,732,601</b>	<b>3,524,915</b>	<b>3,356,941</b>
I. Provisions for unearned premiums and risks in progress			1,268,457	1,175,632	1,268,457	1,175,632
II. Provisions for life insurance	474,182	358,084			474,182	358,084
III. Provisions for claims	204,426	266,256	1,577,850	1,556,969	1,782,276	1,823,225
IV. Other technical provisions						
<b>D) PROVISIONS FOR RISKS AND EXPENSES</b>	<b>923</b>	<b>490</b>	<b>8,075</b>	<b>3,911</b>	<b>8,998</b>	<b>4,401</b>
<b>E) DEPOSITS RECEIVED ON CEDED AND RETROCEDED REINSURANCE</b>	<b>6,316</b>	<b>5,867</b>	<b>53,957</b>	<b>35,314</b>	<b>60,273</b>	<b>41,181</b>
<b>F) DEFERRED TAX LIABILITIES</b>	<b>4,183</b>	<b>6,933</b>	<b>26,886</b>	<b>43,087</b>	<b>31,069</b>	<b>50,020</b>
<b>G) DEBT</b>	<b>45,701</b>	<b>41,205</b>	<b>389,279</b>	<b>274,154</b>	<b>434,980</b>	<b>315,359</b>
I. Due on reinsurance operations	40,295	32,236	362,747	258,231	403,042	290,467
II. Tax liabilities	1,212	906	11,532	8,136	12,744	9,042
III. Other debt	4,194	8,063	15,000	7,787	19,194	15,850
<b>H) ACCRUAL ADJUSTMENTS</b>	<b>5</b>	<b>81</b>	<b>72,577</b>	<b>51,825</b>	<b>72,582</b>	<b>51,906</b>
<b>I) LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE AND FROM DISCONTINUED OPERATIONS</b>						
<b>TOTAL EQUITY AND LIABILITIES BY SEGMENTS</b>	<b>887,035</b>	<b>839,402</b>	<b>4,419,952</b>	<b>4,159,596</b>	<b>5,306,987</b>	<b>4,998,998</b>

(Figures in €000)



E) FINANCIAL INFORMATION BY SEGMENT - CONSOLIDATED INCOME STATEMENT  
FOR YEARS ENDED DECEMBER 31, 2015 AND 2014

	LIFE REINSURANCE		NON-LIFE REINSURANCE		TOTAL	
	2015	2014	2015	2014	2015	2014
<b>I. REVENUES FROM INSURANCE BUSINESS</b>						
1. Premiums allocated to the financial year, net	458,145	390,122	1,836,135	1,636,273	2,294,280	2,026,395
a) Direct insurance issued premiums	-	-	-	-	-	-
b) Premiums from accepted reinsurance	600,645	522,442	3,131,266	2,820,890	3,731,911	3,343,332
c) Premiums from ceded reinsurance	(41,346)	(59,295)	(1,180,864)	(1,080,595)	(1,222,210)	(1,139,890)
d) Variations in provisions for premiums and risks in progress, net	(101,154)	(73,025)	(114,267)	(104,022)	(215,421)	(177,047)
Direct insurance	-	-	-	-	-	-
Accepted reinsurance	(102,036)	(70,467)	(100,718)	(93,079)	(202,754)	(163,546)
Ceded reinsurance	882	(2,558)	(13,549)	(10,943)	(12,667)	(13,501)
2. Share of profits from companies recorded by the equity method	-	61	-	-	-	61
3. Revenues from investments	79,720	71,200	125,627	102,461	205,347	173,661
a) From operations	78,321	65,124	117,348	96,175	195,669	161,299
b) From equity	1,399	6,076	8,279	6,286	9,678	12,362
4. Unrealized gains from investments on account of Life insurance policyholders bearing investment risk	-	-	-	-	-	-
5. Other technical revenues	-	-	-	-	-	-
6. Other non-technical revenues	29	387	516	1,786	545	2,173
7. Positive translation differences	105,557	55,823	617,616	327,972	723,173	383,795
8. Reversal of the asset impairment provision	-	-	-	-	-	-
<b>TOTAL REVENUES FROM INSURANCE BUSINESS</b>	<b>643,451</b>	<b>517,593</b>	<b>2,579,894</b>	<b>2,068,492</b>	<b>3,223,345</b>	<b>2,586,085</b>
<b>II. EXPENSES FROM INSURANCE BUSINESS</b>						
1. Claims ratio for the year, net	(414,842)	(355,786)	(1,186,231)	(1,055,104)	(1,601,073)	(1,410,890)
a) Claims paid and variation in provision for claims, net	(414,832)	(355,773)	(1,186,139)	(1,054,959)	(1,600,971)	(1,410,732)
Direct Insurance	-	-	-	-	-	-
Accepted reinsurance	(430,728)	(380,421)	(1,869,106)	(1,519,827)	(2,299,834)	(1,900,248)
Ceded reinsurance	15,896	24,648	682,967	464,868	698,863	489,516
b) Claims-related expenses	(10)	(13)	(92)	(145)	(102)	(158)
2. Variation in other technical provisions, net	-	-	-	-	-	-
3. Profit sharing and returned premiums	-	-	-	-	-	-
4. Net operating expenses	(109,326)	(93,716)	(535,986)	(464,936)	(645,312)	(558,652)
a) Acquisition expenses	(125,564)	(121,825)	(738,149)	(660,839)	(863,713)	(782,664)
b) Administration expenses	(1,520)	(1,423)	(11,904)	(8,915)	(13,424)	(10,338)
c) Fees and participation in reinsurance	17,758	29,532	214,067	204,818	231,825	234,350
5. Share in losses from companies recorded by the equity method	-	(190)	(36)	-	(36)	(190)
6. Expenses from investments	(7,855)	(3,145)	(34,397)	(20,875)	(42,252)	(24,020)
a) From operations	(6,854)	(2,895)	(31,744)	(19,488)	(38,598)	(22,383)
b) From equity and financial accounts	(1,001)	(250)	(2,653)	(1,387)	(3,654)	(1,637)
7. Unrealized losses from investments on account of Life insurance policyholders bearing investment risk	-	-	-	-	-	-
8. Other technical expenses	(269)	(928)	(2,388)	(3,010)	(2,657)	(3,938)
9. Other non-technical expenses	(378)	(448)	(3,804)	(3,967)	(4,182)	(4,415)
10. Negative translation differences	(93,519)	(51,153)	(622,343)	(329,888)	(715,862)	(381,041)
11. Allowance to the asset impairment provision	(132)	(3)	(6,708)	(2,682)	(6,840)	(2,685)
<b>TOTAL EXPENSES FROM INSURANCE BUSINESS</b>	<b>(626,321)</b>	<b>(505,369)</b>	<b>(2,391,893)</b>	<b>(1,880,462)</b>	<b>(3,018,214)</b>	<b>(2,385,831)</b>
<b>RESULTS FROM THE INSURANCE BUSINESS</b>	<b>17,130</b>	<b>12,224</b>	<b>188,001</b>	<b>188,030</b>	<b>205,131</b>	<b>200,254</b>
<b>IV. RESULTS BEFORE TAXES FROM ONGOING OPERATIONS</b>	<b>17,130</b>	<b>12,224</b>	<b>188,001</b>	<b>188,030</b>	<b>205,131</b>	<b>200,254</b>
<b>V. INCOME TAX ON ONGOING OPERATIONS</b>	<b>(3,867)</b>	<b>(3,385)</b>	<b>(48,698)</b>	<b>(55,345)</b>	<b>(52,565)</b>	<b>(58,730)</b>
<b>VI. RESULTS AFTER TAX FROM ONGOING OPERATIONS</b>	<b>13,263</b>	<b>8,839</b>	<b>139,303</b>	<b>132,685</b>	<b>152,566</b>	<b>141,524</b>
<b>VII. RESULT AFTER TAX FROM DISCONTINUED OPERATIONS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VIII. RESULT FOR THE FINANCIAL YEAR</b>	<b>13,263</b>	<b>8,839</b>	<b>139,303</b>	<b>132,685</b>	<b>152,566</b>	<b>141,524</b>
1. Attributable to minority shareholders	-	(1)	-	-	-	(1)
2. Attributable to controlling company	13,263	8,838	139,303	132,685	152,566	141,523

(Figures in €000)

## F) FINANCIAL INFORMATION BY GEOGRAPHIC AREAS FOR YEARS ENDING DECEMBER 31, 2015 AND 2014

GEOGRAPHICAL AREA	REVENUES FROM EXTERNAL CLIENTS 2015	REVENUES FROM EXTERNAL CLIENTS 2014	NON-CURRENT ASSETS 2015	NON-CURRENT ASSETS 2014
SPAIN	614,223	682,570	4,360	7,207
UNITED STATES OF AMERICA	565,582	270,378	7	7
BRAZIL	140,082	246,244	3,192	1,422
MEXICO	128,058	132,346	483	831
VENEZUELA	20,193	57,732	374	1,146
COLOMBIA	95,387	124,484	156	203
ARGENTINA	93,306	102,542	4,388	4,561
TURKEY	131,047	116,313	-	-
CHILE	161,323	119,784	3,031	10,682
OTHER COUNTRIES	1,782,710	1,490,940	12,407	11,691
<b>TOTAL</b>	<b>3,731,911</b>	<b>3,343,332</b>	<b>28,398</b>	<b>37,750</b>

(Figures in €000)

No client contributes, on an individual basis, more than 10 percent of the Company's ordinary revenues.

Accepted reinsurance premiums, as well as operating revenues from non-insurance activities, are considered as ordinary revenues.

Non-current assets include other intangible fixed assets, property, plant and equipment, property investment, tax credits, corporate and other credits and other assets.

MAPFRE S.A. is a subsidiary of CARTERA MAPFRE, S.L. Sociedad Unipersonal (hereinafter, CARTERA MAPFRE), fully controlled by Fundación MAPFRE.

The consolidated annual accounts have been prepared by the Board of Directors on February 25, 2016. These are expected to be approved by the Annual General Meeting. Spanish regulations provide for the possibility of modifying the annual accounts in the event these are not approved by the aforementioned sovereign body.

## CONSOLIDATED ANNUAL REPORT

### 1. General information regarding the company and its activities

MAPFRE RE, Compañía de Reaseguros S.A. (hereinafter the controlling company) is a reinsurance company, parent of a number of controlled companies engaged in reinsurance activities.

The controlling Company was established in Spain and has its registered office in Paseo de Recoletos no. 25, Madrid.

The controlling company has central services located in Madrid and four subsidiaries, nine branches and six representative offices directly present in seventeen countries. Its scope of action includes Spain, European Union countries and third countries, mainly Latin America, and its activities encompass all types and lines of reinsurance business.

The controlling company is a MAPFRE, S.A. subsidiary and is part of the GRUPO MAPFRE, comprised by MAPFRE, S.A. and different companies acting in the insurance, financial, real estate and services industries.

### 2. Basis of presentation of the consolidated annual accounts

#### 2.1 BASIS OF PRESENTATION

The Group's consolidated annual accounts were prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRS-EU), with all companies having undertaken the requisite standardization adjustments.

The consolidated annual accounts have been prepared on the basis of cost model, except for financial assets available for sale, for financial assets for trading and derivative instruments recorded at their fair value.

There was no early application of the rules and interpretations which, having been approved by the European Commission, had not entered into force on the closing date of the 2015 financial year. However, their early adoption would have had no effect on the Group's financial situation and earnings.

## 2.2 FINANCIAL INFORMATION BY SEGMENT

The controlling company voluntarily includes, in the consolidated annual accounts, financial information by segments in section E). The main segments by business line of the company are Life Reinsurance and Non-Life Reinsurance.

For identifying the main segments, the main activities and insurance lines have been considered, of the Group's management, also taking into account the qualitative thresholds established in the regulations.

The Consolidated Management Report details additional information on business performance and characteristics.

## 2.3 FINANCIAL INFORMATION BY GEOGRAPHICAL AREA

Section F) of the consolidated annual accounts, gathers financial information by geographical areas.

The established geographical areas are: Spain, United States of America, Brazil, Mexico, Venezuela, Colombia, Argentina, Turkey, Chile and Other Countries.

## 2.4 CHANGES IN ACCOUNTING POLICIES, CHANGES IN ESTIMATES AND ERRORS

In the financial years 2015 and 2014 there were no changes in accounting policies, estimates or significant errors that could have had an effect on the Group's financial position or results.

## 2.5 COMPARISON OF INFORMATION

As at December 31, 2015, and for the purpose of their presentation the consolidated balance sheet, the deferred tax liabilities and assets of each of the Group's taxpaying companies were offset. In order for the information to be comparable, the amounts of the items for the financial year 2014, have been restated, reducing them by 17,932 thousand euros.

The adoption of the amendments included in the Annual Improvements to International Financial Reporting Standards, which are obligatory for accounting periods beginning on or after January 1, 2015, have not had an effect on the Group's financial position or earnings.

## 2.6 CHANGES IN THE CONSOLIDATION SCOPE

Companies and changes in the consolidation scope in years 2015 and 2014, along with their equity data and results are detailed in Annex 1.

The overall effect of changes on property, the financial position and consolidated Group results of 2015 and 2014 with respect to the preceding year are described in the notes of the corresponding annual accounts in the consolidated report.

In the year 2014, the company "Inversiones Ibéricas" was deconsolidated, and in the year 2015 the company "ITSEMAP Servicios Tecnológicos MAPFRE" was removed.

## 2.7 ACCOUNTING JUDGMENTS AND ESTIMATES

In the preparation of the consolidated annual accounts under IFRS, the controlling company's Board of Directors has made judgments and estimates based on assumptions about the future and uncertainties that basically refer to:

- Impairment losses of certain assets.
- The calculation of provisions for risks and expenses.
- The actuarial calculation of post-employment remuneration-related commitments and liabilities.
- The useful life of intangible assets and of property, plant and equipment items.
- The fair value of certain non-listed assets.

The estimates and assumptions used are reviewed regularly, and are based on historical experience and on other factors that may be deemed more reasonable from time to time. If a change in the estimates were to take a place in a given period, their effect shall be applied during that period and, as the case may be, in subsequent periods.

# 3. Consolidation

## CONSOLIDATION BASIS

### 3.1. Controlled and affiliated companies

Identification of affiliated and controlled companies included in the consolidation are detailed in the acquisitions of controlled companies table, which forms part of the consolidated report as Annex 1.

Companies are configured as controlled companies when the controlling company holds power over the investee company, has exposure or rights to variable returns, and has the capacity to influence those returns through the power exercised in the companies.

The Company has the power when it has substantive rights in force which provide it with the ability to direct relevant

activities. The Company is exposed, or has rights to variable returns for its involvement in the controlled company, when the returns obtained by this involvement may vary depending on the economic progress of the company.

As at December 31, 2015 and 2014, the company exercises control over all controlled companies.

Controlled companies are consolidated from the date when the Group acquires control, and are excluded from the consolidation on the date when it ceases to have such control. Consequently, the results relating to the part of the financial year during which the companies belonged to the Group are included in the accounts.

Affiliated companies are companies in which the controlling company exercises a significant influence but which are neither controlled companies nor joint arrangements.

Significant influence is understood as the power to intervene in decisions on financial and operating policies of the investee company, but without controlling or jointly controlling these policies, presuming that there is significant influence when, either directly or indirectly through its controlled companies, at least 20 percent is owned, of the voting rights of the investee company.

Acquisitions of controlled companies in affiliated companies are consolidated by the equity method, including, in the value of interests, the net goodwill identified as at the date of acquisition.

When the Group's participation in the losses of an associated undertaking is equal to or higher than the book value of its stake, including any unsecured receivable, the Group does not record additional losses, unless obligations have been incurred or payments have been made on behalf of the associated undertaking.

To determine if an investee company is controlled or affiliated, the purpose and design, have been considered, of the investee company, in order to determine the relevant activities, the way that decisions are taken on these activities, who has the current capacity to direct these activities and who receives their financial returns. The potential voting rights held and exercisable as purchase options on shares, debt instruments convertible into shares or other instruments giving the controlling company the possibility to increase their voting rights have also been considered.

The financial statements of the controlled and affiliated companies used for consolidation correspond to the year that ended on December 31, 2015 and 2014.

### **3.2. Conversion of annual accounts of foreign companies included in the consolidation**

The functional and representational currency of the Group is the euro. Accordingly, the balances and operations of Group companies with a functional currency other than the euro are converted to euros at the closing exchange rate. The reinsurance operations are converted at the exchange rate corresponding to the month of their accounting.

The exchange differences resulting from applying the above procedure, as well as those arising from the conversion of loans and other foreign currency instruments covering investments in overseas operations, are presented as a separate component in "Statement of recognized revenue and expenses" and are shown under equity in the "Currency translation differences" account, deducting the part of the difference that corresponds to Minority interests.

Fair value adjustments of assets and liabilities which arose from the acquisition of Group companies whose presentation currency is not the euro are treated as assets and liabilities of overseas business. As such, they are stated in the functional currency of the overseas business and are converted at the closing exchange rate.

With the exception of reinsurance operations, all other transactions in foreign currencies are initially converted to euros at the exchange rate in force on the transaction date.

Regarding the Venezuelan bolivar, MAPFRE RE considered that the exchange rate that best reflects the financial position of Venezuelan companies should be based on the update of the SIMADI exchange rate, using the inflation reported in the International Monetary Fund (IMF) Economic Outlook, which estimates an inflation rate of 190 percent for 2015, for reference. This inflation was applied from the date the SIMADI was created in late February 2015 (176.60 US dollars/VEF) to December 31, 2015. Accordingly, the exchange rate obtained, and at which all 2015 balances and operations of Group companies operating in Venezuela were converted, was 425.80 US dollars/VEF.

#### **Adjustments to the opening balance**

The initial balance adjustment columns in the different tables of the notes of the consolidated annual accounts include the variations that occurred as result of applying a different translation exchange rate for data on overseas subsidiaries.

## 4. Earnings per share and dividends

### 4.1. EARNINGS PER SHARE

The calculation of the basic earnings per share - which matches the diluted earnings per share, since there is no ordinary potential share - is given below:

	2015	2014
Net profit attributable to the shareholders of the controlling company (thousands of euros)	152,566	141,523
Weighted average number of ordinary shares in issue (thousands of shares)	72,231	72,231
<b>BASIC EARNINGS PER SHARE (EUROS)</b>	<b>2.11</b>	<b>1.96</b>

### 4.2. DIVIDENDS

The breakdown of the dividends of the controlling company in the last two years is as follows.

ITEM	TOTAL DIVIDEND		DIVIDEND PER SHARE	
	2015	2014	2015	2014
Interim dividend	90,288,835	80,176,485	1.25	1.11
Final dividend		1,444,621		0.02
<b>TOTAL</b>	<b>90,288,835</b>	<b>81,621,106</b>	<b>1.25</b>	<b>1.13</b>

(Figures in €)

The final dividend for 2015 was proposed by the Board of Directors and is pending approval by the Ordinary Annual General Meeting.

The planned dividend payout complies with the requirements and limitations that are laid down in the legal regulations and the corporate bylaws.

In 2015 the controlling company distributed two interim dividends equivalent to a total amount of 90,288,835 euros which is recorded in equity under the heading "Interim dividend". The liquidity statements are reproduced below. They were drawn up by the Board of Directors for the distribution of the two interim dividends agreed on in 2015.

ITEM	Date of resolution: 29/09/2015	Date of resolution: 03/12/2015
<b>Cash available on the date of resolution</b>	<b>180,800</b>	<b>135,500</b>
<b>Expected cash increases in one year</b>		
(+) Due to current expected collection operations	250,000	200,000
(+) Due to financial operations	50,000	50,000
<b>Expected cash reductions in one year</b>		
(-) Due to current expected payment operations	(200,000)	(150,000)
(+) Due to expected financial operations	(80,000)	(100,000)
(+) Due to payment of an interim dividend	(65,007)	(25,281)
<b>CASH AVAILABLE IN ONE YEAR</b>	<b>135,793</b>	<b>110,219</b>

(Figures in €000)

## 5. Accounting policies

The accounting policies applied to the following entries are indicated below:

### 5.1 INTANGIBLE ASSETS

#### Other intangible assets

##### INTANGIBLE ASSETS ARISING FROM AN INDEPENDENT ACQUISITION

The intangible assets acquired from third parties in a market transaction are valued at cost. If their useful life is finite, they are amortized and, if their useful life is indefinite, the value impairment tests are undertaken at least once a year.

##### INTERNALLY-GENERATED INTANGIBLE ASSETS

The investigation expenses are directly recognized on the consolidated statement of income for the year in which they are incurred. The development expenses are recorded as an asset when their probability, feasibility and future recoverability can be reasonably ensured. They are valued by the disbursements made.

The capitalized development expenses are amortized during the period in which revenues or yields are to be obtained without prejudice to the valuation that would be made if impairment occurs.

### 5.2 PROPERTY, PLANT AND EQUIPMENT AND REAL ESTATE INVESTMENT

Property, plant and equipment and real estate investment are valued at their net acquisition cost minus their accumulated amortization and, if applicable, accumulated losses due to impairment.

Costs incurred after their acquisition are recognized as an asset only when the future financial profits related to them are likely to revert to the Group and the cost of the item may be accurately determined. All other expenses associated with maintenance and repair are charged to the consolidated statement of income during the year in which they are incurred.

The amortization of elements of the property, plant and equipment and real estate investment is calculated linearly on the value of the asset cost minus its residual value and minus the value of land based on the following periods of useful life of each asset.

Group of elements	Years	Annual ratio
Buildings and constructions	50-25	2%-4%
Transportation equipment	6.25	16%
Furniture	10	10%
Fixtures	16.6-10	6%-10%
Data processing equipment	4	25%

The residual value and the useful life of assets are reviewed and adjusted if necessary on the closing date of each financial year.

The elements of the property, plant and equipment or of the real estate investments are written off of the accounting when they are transferred or future economic profit derived from their continuous use is not expected to be obtained. The gains or losses resulting from writing the aforementioned elements off are included on the consolidated statement of income.

### 5.3 LEASES

Leases in which the lessor maintains an important part of the risks and advantages derived from ownership are classified as operational leasing. Payments for operational leasing (net payments of any incentive received from the lessor) are charged to the consolidated statement of income on a linear basis during the leasing period.

### 5.4 FINANCIAL INVESTMENT

#### Recognition

Financial assets traded on secondary securities markets are generally recognized on the settlement date.

#### Classification

Financial investments are classified in the following portfolios:

##### AVAILABLE-FOR-SALE PORTFOLIO

This portfolio includes debt securities not classified as "Held-to-maturity portfolio" or "Trading portfolio" and the equity instruments of companies that are not controlled, associated undertakings or joint agreements and that have not been included in the "Trading portfolio".

##### TRADING PORTFOLIO

This portfolio includes the financial assets that are originated or acquired with a view to their short-term realization, which form part of a portfolio of jointly identified and managed financial instruments and which, according to recent experience, may give rise to short-term gains.

Derivative instruments not allocated for hedging purposes and hybrid financial assets stated at their fair value are also part of this portfolio.

In the case of hybrid financial assets, which simultaneously include a main contract and a financial derivative, both items are segregated and treated independently for the purposes of their classification and valuation. Exceptionally, when this segregation is not feasible, hybrid financial assets are measured at their fair value.

## Assessment

On their initial recognition in the balance sheet, all financial investments that are part of the previously mentioned portfolios are recognized at the fair value of the provided remuneration plus, in the case of financial investments not classified in the trading portfolio, any dealing costs directly attributable to their acquisition.

After initial recognition, the financial investments are measured at their fair value, without deducting any dealing cost that could be incurred at sale or any form of disposition, with the exception of: financial assets that are equity instruments whose fair value cannot be accurately estimated as well as derivatives with an asset supporting these instruments and that are settled by delivering them, which are measured at cost.

The fair value of financial investments, including financial derivatives classified in the trading portfolio, is the amount that would be received for selling a financial asset or that would be paid for transferring a financial liability through an ordered transaction between market participants on the measurement date (Quoted price-Level 1). When the mentioned quoted price is lacking, the fair value is determined, if there is observable market data, by updating the future financial flows, including the redemption value, at rates equivalent to the interest rates of swaps in euros, increased or decreased by the differential arising from the credit quality of the issuer and standardized according to the quality of the issuer and the maturity period (Level 2). If no observable market data is available, other measurement techniques in which some of the significant variables are not based on market data are used (Level 3). In this case, the most used method is the request for measurement from an independent financial institution.

The book value of the financial investments is adjusted by debiting the consolidated income statement when there is objective evidence that an event which entails a negative impact on its future cash flows occurred or in any other circumstance that would indicate not being able to recover the cost of investment of the financial instrument. The amount of losses due to impairment is equal to the difference between its

book value and the current value of its estimated future cash flows.

For fixed-income securities in which there is a default on interest and/or principal, the potential loss is estimated according to the situation of the issuer. For all other fixed-income securities, an analysis is undertaken based on their credit quality and the degree of solvency of the issues, proceeding to record the impairment if it is considered that the risk of default is deemed likely.

For equity instruments, an individual analysis of the investments is undertaken to determine whether or not they are impaired. Furthermore, it is considered that there is a sign of impairment when the market value decreases for a long time (18 months) or significantly (40 percent) in terms of its cost.

The amount of estimated losses due to impairment is recognized on the consolidated statement of income, also including any reduction of the fair value of the investments previously recognized in "Valuation adjustment reserves". The reversal is recognized in the consolidated income statement, except for in the case of equity instruments. In this case, the valuation adjustment recorded in prior years is not recognized in the income statement, but rather any increase in value is taken directly to equity.

For financial swaps of flow exchanges, the amounts accrued for main operations are recognized, posting the resulting amount of the flows under the headings "Other financial liabilities" or "Corporate and other credits" as applicable.

## 5.5 IMPAIRMENT OF OTHER ASSETS

At the end of each financial year, the Group evaluates whether there are any signs that the asset items may have depreciated. If there are such signs, the recoverable value of the asset is estimated.

For assets that are not in use conditions and intangible assets with an indefinite useful life, the recoverable value is estimated whether or not there are signs of impairment.

If the book value exceeds the recoverable amount, a loss is recognized for this excess, reducing the book value of the asset to its recoverable amount.

If there is an increase of the recoverable value of an asset other than the goodwill, the loss due to the previously recognized impairment is reversed, increasing the book value of the asset to its recoverable value. This increase never exceeds the net amortization book value that would be recorded had an impairment loss not been recorded in previous years.

## 5.6 CREDITS

These assets are generally valued using the amortized cost, calculated according to the effective interest rate method, deducting, if applicable, the provisions for losses due to noted impairment of the value.

For cases in which there is objective evidence that a loss was incurred due to impairment, the corresponding provision was constituted for the amount estimated not to be recoverable. This amount is equivalent to the difference between the book value of the asset and the current value of the future cash flows, discounted at the original effective interest rate of the financial asset. The amount of the loss is recognized on the year's consolidated income statement.

The Group calculates and provides the insolvency provision through an individualized system for tracking balances with reinsurance companies. The calculation bases are the due balances pending collection with each reinsurance company and, depending on their age, the provision is 50 percent for 6-month balances and 100 percent for balances with enforceability exceeding nine months. Likewise, the balances with reinsurance companies in the settlement process are taken into account.

## 5.7 TREASURY

The treasury consists of cash and cash equivalents.

Cash includes treasury bills and demand deposits.

Cash equivalents correspond to highly liquid short-term investments that can be easily converted into fixed amounts of cash and have an insignificant risk of change in value.

## 5.8 ACCRUAL ADJUSTMENTS

The fees and other acquisition expenses corresponding to the accrued premiums that can be allocated to the period between the closing date and the end of coverage of the contracts are basically included under the heading "Accrual Adjustments " of the asset. The expenses allocated to the earnings correspond to those actually incurred in the period in accordance with the provisions in Note 5.9.B.1.

On the liabilities side, the amounts of fees and other acquisition expenses of the ceded reinsurance that have to be allocated to the year or following years in accordance with the coverage period of the ceded policies are included under the heading "Accrual Adjustments".

## 5.9 REINSURANCE OPERATIONS

### a) Premiums

#### ACCEPTED AND RETROCEDED REINSURANCE

Premiums corresponding to the accepted reinsurance are recorded on the basis of the accounts received from the ceding companies.

Retroceded reinsurance operations are recorded under the same criteria as accepted reinsurance and pursuant to the retrocession contracts underwritten.

### b) Technical provisions

#### B.1) ASSUMED REINSURANCE.

##### Provision for unearned premiums

Accepted reinsurance operations are posted based on the accounts received from the ceding companies. If, when closing the accounting, the last account from the cedant is not available, the balance of the other received accounts is considered a provision for unearned premiums of non-closed accounts for the purpose of not recognizing earnings in the accounting of these accounts. If, exceptionally, these provisions of non-closed accounts were negatively affected by the accounting of significant payments for claims since it is a certain loss with the unlikelihood of compensation for non-closed account transactions, the provision is adjusted by the corresponding amount.

When the last statement and report on outstanding claims are available, the provisions of non-closed accounts are cancelled, the corresponding provisions for unearned premiums are allocated according to the information provided by the ceding company, and they are accrued on a policy by policy basis.



If they are not available, the amount of the deposit of premiums withheld for this reason will be recorded as the provision for unearned premiums. A global method is used for accruing premiums.

The acquisition expenses reported by the ceding companies are accrued, under the heading "Accrual adjustments" in the consolidated balance sheet assets, with these expenses corresponding to those actually incurred in the period. When the ceding companies do not report the acquisition expense amounts, they are accrued on a risk by risk basis for the facultative proportional reinsurance and overall for the rest of the proportional business.

#### **Provision for risks in progress**

The provision for risks in progress is calculated on an individual business line basis and supplements the provision for unearned premiums for the amount in which it is not enough to reflect the valuation of risks and expenses to be covered that correspond to the coverage period not elapsed at the closing date.

#### **Provision for outstanding claims**

Provisions for outstanding claims are provided for the amounts reported by the ceding company or, in the absence thereof, according to withheld deposits, and include supplementary provisions for claims that have occurred and have not been reported as well as for deviations of the existing provisions based on own experience.

### **B.2) RETROCEDED REINSURANCE**

Retroceded reinsurance operations and their corresponding technical provisions are recorded using the same criteria as for accepted reinsurance and according to the retrocession contracts underwritten.

### **B.3) LIABILITY ADEQUACY TEST**

The recorded technical provisions are periodically submitted to a reasonability test for the purpose of determining their adequacy on the basis of projections of all future cash flows of existing contracts. If, as a result of this test, it is noted that they are insufficient, the provisions are adjusted against the result for the period.

## **c) Claims ratio**

Claims corresponding to the accepted reinsurance are recorded based on the accounts received from the ceding companies and on the information obtained from the company's own historical experience.

Claims corresponding to ceded and retroceded reinsurance are recorded according to the underwritten reinsurance contracts and under the same criteria used for the direct insurance and accepted reinsurance, respectively.

## **d) Key assumptions and other sources for estimating uncertainties**

Regarding assets, liabilities, revenue and expenses arising from insurance contracts, as a general rule, the assumptions used as a basis for issuing these contracts are as specified therein.

In general, the estimates and hypotheses used are reviewed regularly and are based on historical experience and other factors that might have been deemed more reasonable at a given time. If these reviews lead to changes in estimates in a given period, their effect shall be applied during that period and, if applicable, to subsequent periods.

The main assumption is based on the performance and development of the claims, using their frequency and costs in recent years. Additionally, the estimates also take into account assumptions about interest and foreign exchange rates, delays in the payment of claims, and any other external factors that may have a bearing on the estimates.

For liabilities, the assumptions are based on the best possible estimate when issuing the contracts. However, if a notable insufficiency becomes evident, the provisions required to cover it would be constituted.

In the calculation of the technical provisions, discount techniques are not used to evaluate the future flows.

During the year, there were no significant amendments in the assumptions used to measure the liabilities arising from insurance contracts.

## **e) Impairment**

When there is objective evidence that a loss was incurred due to impairment of the assets derived from reinsurance contracts, the general valuation criterion indicated in Note "5.6 Credits" is applied.

## 5.10 PROVISIONS FOR RISKS AND EXPENSES

Provisions are recognized when there is a current obligation (whether legal or implicit) as a result of a past event and a reliable estimate of the obligation amount can be made.

If it is highly likely that part or all of a provision will be reimbursed, the reimbursement is recognized as a separate asset.

## 5.11 DEBT

The items included under the heading "Debt" are generally measured at the amortized cost using the effective interest rate method.

For debt with a maturity exceeding one year and when the parties have not expressly agreed on the applicable interest, the payables are discounted by taking, as the implicit financial interest, the interest in force in the market for public payable securities with the same or similar term as the maturity of the payables, without prejudice to taking into account the relevant risk premium.

## 5.12 GENERAL CRITERION FOR REVENUE AND EXPENSES

The general principle of recognition of revenue and expenses is the accrual criterion according to which the revenue and expenses are allocated based on the actual flow of goods and services represented by them, irrespectively of the date of the monetary or financial flow arising from them.

## 5.13 REMUNERATIONS TO STAFF

Remunerations to staff can be short-term, post-employment benefits, termination payments, share-based payments and other long-term remunerations.

### a. Short-term remunerations.

They are recorded according to the services provided by employees on an accrual basis.

### b. Post-employment benefits

These essentially consist of defined contribution plans and defined benefit plans, as well as life insurance covering death between age 65 and 77.

## DEFINED CONTRIBUTION PLANS

These are post-employment benefit plans in which the company involved makes pre-determined contributions to a separate company (whether linked to the Group or external) and has no legal or implicit obligation to make any additional contributions in the event of an insufficiency of assets to honor the payment of benefits.

The obligation is limited to the contribution agreed on to deposit in a fund and the amount of benefits to be received by employees is determined by the contributions made plus the yield obtained by the investments in which the fund was materialized.

## DEFINED BENEFIT PLANS

These are post-employment benefit plans that differ from the defined contribution plans.

The liability recognized on the balance sheet for defined benefit pension plans, recorded under the heading "Provisions for risks and expenses" is equal to the actual value of the obligation for benefits defined on the balance sheet date minus, if applicable, the fair value of the assets set aside for the plan or the value of the right to reimbursement.

The obligation for defined benefits is determined separately for each plan using the actuarial valuation method of the projected credit unit.

Actuarial gains and losses are recorded in equity accounts.

Most of the obligations for defined benefit plans that remain on the balance sheet exclusively and mostly correspond to retired personnel.

### c. Termination payments

Termination payments are recognized as a liability and expense when there is a notable agreement to rescind the work relationship before the normal date of employee retirement or when there is an offer to encourage voluntary rescission of the contracts.

### d. Share-based payments

The MAPFRE Group has given some of its executives in Spain an incentives plan referenced using the value of MAPFRE S.A. shares.

Share-based payments settled in cash are valued at the initial moment they are granted by following an option valuation method. The measured cost is allocated to results as a personnel expense over the employee's vesting period, while a liability in favor of the employee is recognized as the offsetting entry.

Each year the initial valuation is re-estimated, recognizing the part related to this period and the part derived from this re-estimate corresponding to previous years.

This is a revocable plan in that it is subject to the executive remaining employed by the Group.

#### **e. Other long-term remunerations**

The accounting record of other long-term remunerations, other than those described in the preceding paragraphs and referring specifically to the years of service or time within the company, follows the aforementioned principles (the only exception is the cost of past services which is recognized immediately and recorded as an offsetting entry under the heading "Provisions for risks and expenses", and actuarial gains and losses which are recorded on the income statement). Furthermore, in 2013, a medium-term incentive plan was approved for certain members of the Group's executive team. The plan is extraordinary, not cumulative and is multi-year, commencing January 1, 2016 and ending March 31, 2016. Payment of the incentives depends on fulfilling certain corporate and specific objectives, as well as maintaining the work relationship until the plan's termination date. At the end of each year, fulfillment of the objectives is evaluated, recording the amount accrued during the year on the consolidated statement of income with payment to a provisions account.

#### **5.14 INVESTMENTS REVENUE AND EXPENSES**

The revenue and expenses from investments are classified as operations and equity depending on their origin since they are allocated for covering technical provisions or for the materialization of shareholders' equity respectively.

Revenue and expenses from financial investment are recorded according to the portfolio in which they are classified, following the criteria below:

##### **a) Trading portfolio**

Changes in fair value are recorded directly on the consolidated income statement, distinguishing between the part attributable to yields which are recorded as interest or, if applicable, as dividends and the part that is recorded as realized and unrealized earnings.

##### **b) Available-for-sale portfolio**

Changes in fair value are recognized directly in the company's equity until the financial asset is written off of the balance sheet or impairment is received at which time they are recorded on the consolidated income statement.

In all cases, the interest from financial instruments is recorded on the consolidated income statement by applying the effective interest rate method.

#### **5.15 RECLASSIFICATION OF EXPENSES BY NATURE OF DESTINATION AND ALLOCATION TO ACTIVITY SEGMENTS**

The criteria followed for the reclassification expenses by destination are mainly based on the position held by each of the employees, distributing their direct and indirect cost according to this position.

For expenses not directly or indirectly related to personnel, individual studies are undertaken, allocating them to the destination according to the position held for these expenses.

The established destinations are as follows:

- Claims-related expenses: proportionally to the claims ratio average.
- Investment-related expenses: proportionally to the technical provisions average.
- Other technical expenses: direct allocation.
- Other non-technical expenses: direct allocation.
- Acquisition expenses: proportionally to the premium average.
- Administration expenses: proportionally to the premium average.

Expenses were allocated to the following segment according to the business from which they originated:

- Accepted Life reinsurance.
- Accepted Non-life reinsurance.

#### **5.16 TRANSACTIONS AND BALANCES IN FOREIGN CURRENCY**

With the exception of reinsurance operations, transactions in foreign currencies are converted into each Group company's functional currency at the exchange rate in force on the transaction date.

Reinsurance operations in foreign currency are recorded at the exchange rate established at the beginning of each quarter of the year. Subsequently, at the end of each quarter, they are all treated as one operation, being converted at the exchange rate in force at the time and recording the resulting difference on the consolidated income statement.

At year end, the existing balances given in foreign currencies are converted at the exchange rate of the functional currency prevailing on that date, and all exchange differences are recorded on the consolidated income statement, the only exception being those which are directly allocated to "Currency translation differences," i.e. those arising from the monetary entries that form part of the net investment in a foreign business and from the non-monetary entries assessed at fair value, where changes in valuation are directly recognized under equity.

### **5.17 INCOME TAX**

Tax on profits is treated as an expense in the year and is recorded as such in the consolidated income statement, including both the tax charge for the current tax and the effect corresponding to the movement in deferred tax.

In order to determine it, the balance sheet method is followed, whereby the corresponding necessary assets and deferred tax liabilities are recorded to correct the effect of temporary differences, which are the differences between the carrying amount of an asset or liability and which comprises the tax valuation thereof. Likewise, the long-term deferred assets and liabilities are rated according to the rates that will be applicable in the years in which the assets are expected to be performed or the liabilities paid.

Temporary differences may be "Taxable temporary differences", which result in higher tax payments in the future and which generally entail the recognition of a deferred tax liability; or "Deductible temporary differences", which result in lower tax payments in the future and, to the extent in which it is returnable, the registration of a deferred tax asset.

Meanwhile, income tax related to items where modifications in their value are directly recognized in equity is not allocated to the consolidated income statement but to equity, and the changes in value are recorded net of the tax effect.

## 6. Breakdown of the consolidated financial statements

### 6.1 INTANGIBLE ASSETS

The movement of this heading in the last two years is detailed in the following tables:

#### 2015

ITEMS	Opening balance, 2015	Adjustments to the opening balance	Changes in perimeter	Additions or appropriations	Cancellations, disposals or reductions	Closing balance, 2015
<b>GOODWILL</b>						
OTHER INTANGIBLE ASSETS	7,561	(7)		224		7,778
Portfolio acquisition expenses						
Software applications	7,561	(7)		224		7,778
Other						
<b>COST</b>	<b>7,561</b>	<b>(7)</b>	<b>-</b>	<b>224</b>	<b>-</b>	<b>7,778</b>
<b>ACCUMULATED AMORTIZATION</b>						
OTHER INTANGIBLE ASSETS						
Portfolio acquisition expenses						
Software applications	(6,062)	8		(690)	-	(6,744)
Other						
<b>ACCUMULATED AMORTIZATION</b>	<b>(6,062)</b>	<b>8</b>	<b>-</b>	<b>(690)</b>	<b>-</b>	<b>(6,744)</b>
<b>IMPAIRMENT</b>						
GOODWILL						
OTHER INTANGIBLE ASSETS						
Portfolio acquisition expenses						
Software applications						
Other						
<b>IMPAIRMENT</b>						
<b>SUBTOTAL NET GOODWILL</b>						
<b>SUBTOTAL OTHER NET INTANGIBLE ASSETS</b>	<b>1,499</b>	<b>1</b>	<b>-</b>	<b>(466)</b>	<b>-</b>	<b>1,034</b>
<b>TOTAL NET INTANGIBLE ASSETS</b>	<b>1,499</b>	<b>1</b>	<b>-</b>	<b>(466)</b>	<b>-</b>	<b>1,034</b>

(Figures in €000)

## 2014

ITEMS	Opening balance, 2014	Adjustments to the opening balance	Changes in perimeter	Additions or appropriations	Cancellations, disposals or reductions	Closing balance, 2014
<b>GOODWILL</b>						
OTHER INTANGIBLE ASSETS	7,332		-	229	-	7,561
Portfolio acquisition expenses				-		
Software applications	7,332		-	229	-	7,561
Other				-		
<b>COST</b>	<b>7,332</b>		-	<b>229</b>	-	<b>7,561</b>
<b>ACCUMULATED AMORTIZATION</b>						
OTHER INTANGIBLE ASSETS						
Portfolio acquisition expenses						
Software applications	(5,326)		-	(736)	-	(6,062)
Other						
<b>ACCUMULATED AMORTIZATION</b>	<b>(5,326)</b>		-	<b>(736)</b>	-	<b>(6,062)</b>
<b>IMPAIRMENT</b>						
GOODWILL				-		
OTHER INTANGIBLE ASSETS						
Portfolio acquisition expenses						
Software applications						
Other						
<b>IMPAIRMENT</b>						
<b>SUBTOTAL NET GOODWILL</b>						
<b>SUBTOTAL OTHER NET INTANGIBLE ASSETS</b>	<b>2,006</b>	-	-	<b>(507)</b>	-	<b>1,499</b>
<b>TOTAL NET INTANGIBLE ASSETS</b>	<b>2,006</b>	-	-	<b>(507)</b>	-	<b>1,499</b>

(Figures in €000)

The main "Additions" for the year 2015 mainly correspond to the development of proprietary software ("Business analysis by reinsurer", "Condor BI Capital Model" and "Condor 2014").

The main "Additions" for the year 2014 mainly correspond to the development of proprietary software ("technical study contracts", "Proportional claims breakdown" and "Condor 2014").

The useful life and the depreciation ratios used for the following intangible assets, for which a linear method of amortization was followed in all cases, are indicated as follows.

ITEM group	Useful life (years)	Amortization rate (annual)
Software applications	4	25%

The amortization of intangible assets with finite useful life has been recorded in the "Depreciation charges" expenses account.

There are fully amortized elements which amount to 5.32 million euros in 2015 and 4.58 million euros in 2014.

## 6.2 PROPERTY, PLANT AND EQUIPMENT AND REAL ESTATE INVESTMENT

### Property, plant and equipment

The movement of this heading in the last two years is detailed in the following tables:

#### 2015

ITEMS	Opening balance, 2015	Adjustments to the opening balance	Changes in perimeter	Additions or appropriations	Cancellations, disposals or reductions	Closing balance, 2015	Market value
<b>COST</b>							
PROPERTY FOR OWN USE	10,439	(393)	-	-	(424)	9,622	9,078
Land and natural resources	2,550	-	-	-	(127)	2,423	1,862
Buildings and other structures	7,889	(393)	-	-	(297)	7,199	7,216
OTHER PROPERTY, PLANT AND EQUIPMENT	7,571	(143)	-	1,017	(206)	8,239	1,719
Vehicles	846	(5)	-	-	(177)	664	319
Furniture and fixtures	3,385	(41)	-	97	(5)	3,436	1,037
Other property, plant and equipment	3,340	(97)	-	920	(24)	4,139	623
Advances and fixed assets in progress	-	-	-	-	-	-	-
<b>TOTAL COST</b>	<b>18,010</b>	<b>(536)</b>	<b>-</b>	<b>1,017</b>	<b>(630)</b>	<b>17,861</b>	<b>11,057</b>
<b>ACCUMULATED AMORTIZATION</b>							
PROPERTY FOR OWN USE	(1,578)	14	-	(96)	143	(1,517)	-
OTHER PROPERTY, PLANT AND EQUIPMENT	(5,371)	111	-	(514)	165	(5,609)	-
<b>TOTAL ACCUMULATED AMORTIZATION</b>	<b>(6,949)</b>	<b>125</b>	<b>-</b>	<b>(610)</b>	<b>308</b>	<b>(7,126)</b>	<b>-</b>
<b>IMPAIRMENT</b>							
PROPERTY FOR OWN USE	-	-	-	(724)	-	(724)	-
Land and natural resources	-	-	-	-	-	-	-
Buildings and other constructions	-	-	-	(724)	-	(724)	-
OTHER PROPERTY, PLANT AND EQUIPMENT	-	-	-	-	-	-	-
Vehicles	-	-	-	-	-	-	-
Furniture and fixtures	-	-	-	-	-	-	-
Other property, plant and equipment	-	-	-	-	-	-	-
Advances and fixed assets in progress	-	-	-	-	-	-	-
<b>TOTAL IMPAIRMENT</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(724)</b>	<b>-</b>	<b>(724)</b>	<b>-</b>
<b>TOTAL PROPERTY FOR OWN USE</b>	<b>8,861</b>	<b>(379)</b>	<b>-</b>	<b>(96)</b>	<b>(281)</b>	<b>7,381</b>	<b>9,078</b>
<b>TOTAL OTHER PROPERTY, PLANT AND EQUIPMENT</b>	<b>2,200</b>	<b>(32)</b>	<b>-</b>	<b>503</b>	<b>(41)</b>	<b>2,631</b>	<b>1,979</b>

(Figures in €000)

## 2014

ITEMS	Opening balance, 2014	Adjustments to the opening balance	Changes in perimeter	Additions or appropriations	Cancellations, disposals or reductions	Closing balance, 2014	Market value
<b>COST</b>							
PROPERTY FOR OWN USE	10,392	47	-	-	-	10,439	9,963
Land and natural resources	2,550	-	-	-	-	2,550	2,092
Buildings and other structures	7,842	47	-	-	-	7,889	7,871
OTHER PROPERTY, PLANT AND EQUIPMENT	7,240	(161)	-	774	(282)	7,571	2,200
Vehicles	887	(6)	-	166	(201)	846	458
Furniture and fixtures	3,312	(144)	-	264	(47)	3,385	1,119
Other property, plant and equipment	3,041	(11)	-	344	(34)	3,340	623
Advances and fixed assets in progress	-	-	-	-	-	-	-
<b>TOTAL COST</b>	<b>17,632</b>	<b>(114)</b>		<b>774</b>	<b>(282)</b>	<b>18,010</b>	<b>12,163</b>
<b>ACCUMULATED AMORTIZATION</b>							
PROPERTY FOR OWN USE	(1,440)	-	-	(138)	-	(1,578)	
OTHER PROPERTY, PLANT AND EQUIPMENT	(5,027)	16	-	(526)	166	(5,371)	
<b>TOTAL ACCUMULATED AMORTIZATION</b>	<b>(6,467)</b>	<b>16</b>		<b>(664)</b>	<b>166</b>	<b>(6,949)</b>	
<b>IMPAIRMENT</b>							
PROPERTY FOR OWN USE	-	-	-	-	-	-	-
Land and natural resources	-	-	-	-	-	-	-
Buildings and other constructions	-	-	-	-	-	-	-
OTHER PROPERTY, PLANT AND EQUIPMENT	-	-	-	-	-	-	-
Vehicles	-	-	-	-	-	-	-
Furniture and fixtures	-	-	-	-	-	-	-
Other property, plant and equipment	-	-	-	-	-	-	-
Advances and fixed assets in progress	-	-	-	-	-	-	-
<b>TOTAL IMPAIRMENT</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL PROPERTY FOR OWN USE</b>	<b>8,952</b>	<b>47</b>		<b>(138)</b>	<b>-</b>	<b>8,861</b>	<b>9,963</b>
<b>TOTAL OTHER PROPERTY, PLANT AND EQUIPMENT</b>	<b>2,213</b>	<b>(145)</b>		<b>248</b>	<b>(116)</b>	<b>2,200</b>	<b>2,200</b>

(Figures in €000)

In the year 2015, the main "entries" produced were due to the purchase of equipment for information processes.

In the year 2015, the main "disposals" produced were due to the sale of two properties in Mexico.

In the year 2015, an impairment was recorded, due to the loss produced in Venezuela property, which is due to the devaluation of the bolivar fuerte.

In the year 2014, the main "entries" produced were due to the renewal of vehicles and other installations in Brazil.

The cost of property, plant and equipment elements fully amortized at the closing of years 2015 and 2014 amounted to 2,953 thousand euros and 2,369 thousand euros respectively.



## Real estate investment

The movement of this heading in the last two years is detailed in the following tables:

### 2015

ITEMS	Opening balance, 2015	Adjustments to the opening balance	Changes in perimeter	Additions or appropriations	Cancellations, disposals or reductions	Closing balance, 2015	Market value
<b>COST</b>							
INVESTMENT PROPERTY	9,056	(84)	-	-	-	8,972	6,622
Land and natural resources	1,733	(18)	-	-	-	1,715	1,312
Buildings and other structures	7,323	(66)	-	-	-	7,257	5,310
OTHER REAL ESTATE INVESTMENT	-	-	-	-	-	-	-
<b>TOTAL COST</b>	<b>9,056</b>	<b>(84)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,972</b>	<b>6,622</b>
<b>ACCUMULATED AMORTIZATION</b>							
PROPERTY INVESTMENT	(3,638)	9	-	(191)	-	(3,820)	-
OTHER PROPERTY INVESTMENT	-	-	-	-	-	-	-
<b>TOTAL ACCUMULATED AMORTIZATION</b>	<b>(3,638)</b>	<b>9</b>	<b>-</b>	<b>(191)</b>	<b>-</b>	<b>(3,820)</b>	<b>-</b>
<b>IMPAIRMENT</b>							
INVESTMENT PROPERTY	-	-	-	-	-	-	-
Land and natural resources	-	-	-	-	-	-	-
Buildings and construction	-	-	-	-	-	-	-
OTHER REAL ESTATE INVESTMENT	-	-	-	-	-	-	-
<b>TOTAL IMPAIRMENT</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL REAL ESTATE INVESTMENT</b>	<b>5,418</b>	<b>(75)</b>	<b>-</b>	<b>(191)</b>	<b>-</b>	<b>5,152</b>	<b>6,622</b>

(Figures in €000)

### 2014

ITEMS	Opening balance, 2014	Adjustments to the opening balance	Changes in perimeter	Additions or appropriations	Cancellations, disposals or reductions	Closing balance, 2014	Market value
<b>COST</b>							
INVESTMENT PROPERTY	9,158	(102)	-	-	-	9,056	6,742
Land and natural resources	1,750	(17)	-	-	-	1,733	1,322
Buildings and other structures	7,408	(85)	-	-	-	7,323	5,420
OTHER REAL ESTATE INVESTMENT	-	-	-	-	-	-	-
<b>TOTAL COST</b>	<b>9,158</b>	<b>(102)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,056</b>	<b>6,742</b>
<b>ACCUMULATED AMORTIZATION</b>							
INVESTMENT PROPERTY	(3,466)	1	-	(173)	-	(3,638)	-
OTHER REAL ESTATE INVESTMENT	-	-	-	-	-	-	-
<b>TOTAL ACCUMULATED AMORTIZATION</b>	<b>(3,466)</b>	<b>1</b>	<b>-</b>	<b>(173)</b>	<b>-</b>	<b>(3,638)</b>	<b>-</b>
<b>IMPAIRMENT</b>							
INVESTMENT PROPERTY	-	-	-	-	-	-	-
Land and natural resources	-	-	-	-	-	-	-
Buildings and construction	-	-	-	-	-	-	-
OTHER REAL ESTATE INVESTMENT	-	-	-	-	-	-	-
<b>TOTAL IMPAIRMENT</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL REAL ESTATE INVESTMENT</b>	<b>5,692</b>	<b>(101)</b>	<b>-</b>	<b>(173)</b>	<b>-</b>	<b>5,418</b>	<b>6,742</b>

(Figures in €000)

The market value of property investment and property for own use basically correspond with the appraisal value determined by an authorized independent appraisal company depending on observable market variables (Level 2). The appraisal methods generally used correspond to the cost method, the comparison method, the future rental income method and the abbreviated residual method, depending on the characteristics of the property being appraised.

Moreover, most properties are allocated to cover technical provisions and appraisals are performed on a regular basis, as established by the supervisory bodies of the insurance activities for appraisal review.

Impairment losses for the year are recorded in the "Allowance to the asset impairment provision" and the reversal under "Reversal of the asset impairment provision" in the consolidated income statement. There have been no amounts in these accounts during 2015 and 2014.

Revenue and expenses of property investment of the last two years are detailed in the following table:

ITEM	INVESTMENTS					
	OPERATING		EQUITY		TOTAL	
	2015	2014	2015	2014	2015	2014
<b>Revenue from real estate investment</b>						
From rentals	253	279	-	-	253	279
Gains on disposals						
<b>TOTAL REVENUE FROM REAL ESTATE INVESTMENT</b>	<b>253</b>	<b>279</b>	<b>-</b>	<b>-</b>	<b>253</b>	<b>279</b>
<b>Expenses from real estate investment</b>						
Direct operational expenses	(62)	(54)	-	-	(62)	(54)
Other Expenses	(37)	(64)	-	-	(37)	(64)
<b>TOTAL EXPENSES FROM REAL ESTATE INVESTMENT</b>	<b>(99)</b>	<b>(118)</b>	<b>-</b>	<b>-</b>	<b>(99)</b>	<b>(118)</b>

(Figures in €000)

### 6.3 LEASES

The Group has been the lesser of the following items through operating lease contracts:

TYPE OF ASSETS	NET BOOK VALUE		TERM OF THE AGREEMENT		MAXIMUM YEARS ELAPSED	
	2015	2014	2015	2014	2015	2014
Real estate in Belgium	3,602	3,747	15	16	14	15
Real estate in Chile	1,550	1,671	1	1	Annually renewable	Annually renewable
<b>TOTAL</b>	<b>5,152</b>	<b>5,418</b>				

(Figures in €000)

At the close of the last two financial years, the future minimum collections to be received as at December 31, from non-cancellable operating leases, were as follows:

	Minimum receipts 2015	Minimum receipts 2014
Less than one year	619	746
More than one year but less than five	2,361	3,609
More than five years	2,978	3,811
<b>TOTAL</b>	<b>5,958</b>	<b>8,166</b>

(Figures in €000)

No contingent instalments are recorded as income in the years 2015 and 2014.

The Group rents the headquarters as well as several building floors, located on Calle Barbara de Braganza No. 14 and renewable lease payments amount to 2,656 thousand euros by these concepts in 2015 and 2,588 thousand euros in 2014.

The future minimum payments payable on non-cancellable operating leases as at December 31 are as follows:

	Minimum payments 2015	Minimum payments 2014
Less than one year ago	2,656	2,588
More than one year but less than five	0	0
More than five years	0	0
<b>TOTAL</b>	<b>2,656</b>	<b>2,588</b>

(Figures in €000)

No contingent payments were recorded as expense in the years 2015 and 2014.

### 6.4 FINANCIAL INVESTMENT

As at December 31, 2015 and 2014, the breakdown of financial investments is as follows:

ITEM	BOOK VALUE	
	2015	2014
<b>AVAILABLE-FOR-SALE PORTFOLIO</b>		
Equities	192,596	182,046
Fixed income securities	2,821,734	2,816,614
Mutual Funds	136,445	99,818
Other	-	-
<b>TOTAL AVAILABLE-FOR-SALE PORTFOLIO</b>	<b>3,150,775</b>	<b>3,098,478</b>
<b>TRADING PORTFOLIO</b>		
<b>Other investments</b>		
Equities	84	86
Fixed income securities	-	-
Mutual Funds	38,381	39,966
Other	-	-
<b>TOTAL TRADING PORTFOLIO</b>	<b>38,465</b>	<b>40,052</b>

(Figures in €000)

The fair value measurements of the financial investments included in the available-for-sale portfolio and in the trading portfolio have been classified according to the levels of the variables used to measure them:

- Level 1. Quotation price: Unadjusted price quoted in active markets.
- Level 2. Observable data: Prices quoted in active markets for instruments similar to the one being measured or other measurement techniques in which all the significant variables are based on observable market data. The measurement is made via a model that discounts future flows using a rate curve with two main components:
  - Zero coupon swap curve of the currency of the issue, which is considered to be the best approximation to the interest rate without any risk.

- Differential of the additional risk, which will be the spread added to the zero coupon swap curve that reflects the risks inherent to the issue measured, such as: Credit risk, liquidity and optionality.
- Level 3. Other valuations: Specific variables for each case, though financial assets at this level represent 0.16 percent of the total portfolio measured at fair value. For these purposes, it is possible to distinguish between:
  - Variable annuity assets, where in general the sale value is estimated according to the individual characteristics of the asset.
  - Fixed-income assets with complex future flow structures (interest rates linked to financial variables, with caps and/or floors) and one or more early amortizations, and in which the issuer has no similar issues on the market or any unquoted issues from an issuer with no similar issues. In these cases, the assets are usually measured by requesting a valuation from a benchmark third party.

Changes in the observable variables used in the aforementioned individual measurements would not significantly alter the fair value obtained.

The process for measuring financial assets is as follows:

- a) When the asset is acquired, it is assigned to a specific portfolio (held-to-maturity, available for sale, or trading) depending on the characteristics of the liabilities to which it is going to be assigned and on the local and international legislation on accounting and insurance.
- b) The accounting nature of the portfolios dictates the type of accounting valuation. However, at least once a month all assets are valued against the market using the aforementioned measurement methods: quotation price in active markets (Level 1); based on observable market data (quotation prices for similar assets, flow discounts based on the issuer's rate curve, etc.) (Level 2); and through specific measurements not based on market variables (Level 3).
- c) The measurements are performed directly by the company, although in some countries an independent financial institution undertakes them in line with the local regulations.

The measurement policy is decided by the Investment Committees and/or Risk Committees, and is reviewed at least once a quarter.

Furthermore, once a month the Steering Committee of MAPFRE S.A. analyzes the value of all investments and capital gains and losses.

With regard to the sensitivity of fair value measurements, changes in the non-observable variables used in the aforementioned individual measurements would not significantly alter the fair value obtained.

Quotation prices are monitored and verified on a regular basis in order to decide whether any transfers between levels are required:

1. If the quotation source for a particular asset is no longer representative, it is transferred from Level 1 to Level 2.
2. Assets are transferred from Levels 2 and 3 and Level 1 if a reasonable quotation source is verified.
3. Assets are transferred to Level 3 when there are no longer any observable market data.

## a) Available-for-sale portfolio

The investments influenced by the available-for-sale portfolio, as at December 31, 2015 and 2014, are indicated as follows:

ITEM	MARKET VALUE						BOOK VALUE		IMPAIRMENT			
	LEVEL 1. QUOTATION PRICE		LEVEL 2. OBSERVABLE DATA		LEVEL 3. OTHER ASSESSMENTS				LOSS RECORDED		REVERSAL GAINS	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014		
Equities	192,596	182,046	-	-	-	-	192,596	182,046	-	-	-	-
Fixed income securities	2,715,947	2,816,614	105,787	-	-	-	2,821,734	2,816,614	(2)	(3)	-	-
Mutual Funds	136,445	99,818	-	-	-	-	136,445	99,818	-	-	-	-
<b>TOTAL AVAILABLE-FOR-SALE PORTFOLIO</b>	<b>3,044,988</b>	<b>3,098,478</b>	<b>105,787</b>	-	-	-	<b>3,150,775</b>	<b>3,098,478</b>	<b>(2)</b>	<b>(3)</b>	-	-

(Figures in €000)

The impairment in 2015 and 2014 gathers the loss on investments available for sale in Chile.

The change in valuation adjustments of portfolio investments amounted to (52.97) and 112.5 million euros as at December 31, 2015 and 2014 respectively, which have been recorded as net tax effect on equity.

Transfers to the consolidated statement of income of valuation adjustments of portfolio investments in previous years, undertaken during 2015 and 2014 amount to a net amount of (27.95) and (13.8) million euros, respectively.

There have been no asset transfers between Levels 1 and 2 of valuation to market value (Quotation price to Observable data).

There have been no variations in valuation techniques of levels 2 and 3 of the fair value hierarchy (Observable data and Other valuations).

## b) Trading portfolio

The investments influenced by the trading portfolio, as at December 31, 2015 and 2014 are detailed below:

ITEM	MARKET VALUE						BOOK VALUE		GAINS (LOSSES) POSTED TO RESULTS			
	LEVEL 1. QUOTATION PRICE		LEVEL 2. OBSERVABLE DATA		LEVEL 3. OTHER ASSESSMENTS				LOSS RECORDED		REVERSAL GAINS	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014		
<b>OTHER INVESTMENTS TRADING PORTFOLIO</b>												
Equities	-	86	84	-	-	-	84	86	-	-	-	-
Fixed income												
Mutual Funds	38,381	39,966	-	-	-	-	38,381	39,966	-	-	(219)	-
Other												
<b>TOTAL OTHER INVESTMENTS</b>	<b>38,381</b>	<b>40,052</b>	<b>84</b>	-	-	-	<b>38,465</b>	<b>40,052</b>	-	-	<b>(219)</b>	-
<b>TOTAL TRADING PORTFOLIO</b>	<b>38,381</b>	<b>40,052</b>	<b>84</b>	-	-	-	<b>38,465</b>	<b>40,052</b>	-	-	<b>(219)</b>	-

(Figures in €000)

Gains and losses of the trading portfolio are recorded in the income statement, details of which can be found in Note 6.14 "Investments Revenue and expenses".

## 6.5 CREDITS

The following table shows the breakdown of the credit heading as at December 31, 2015 and 2014; as well as impairment losses and gains on reversals registered in the last two years:

ITEM	GROSS AMOUNT		IMPAIRMENT		NET BALANCE ON BALANCE SHEET		IMPAIRMENT				COLLATERAL HELD	
	2015	2014	2015	2014	2015	2014	RECORDED LOSSES		REVERSAL GAINS		2015	2014
							2015	2014	2015	2014		
I. Credits on reinsurance operations	463,088	309,487	(11,592)	(5,479)	451,496	304,008	(6,113)	(2,682)	-	-	-	-
II. Tax credits	8,938	15,643	-	-	8,938	15,643	-	-	-	-	-	-
III. Corporate and other receivables	3,249	15,340	-	-	3,249	15,340	-	-	-	-	-	-
<b>TOTAL</b>	<b>475,275</b>	<b>340,470</b>	<b>(11,592)</b>	<b>(5,479)</b>	<b>463,683</b>	<b>334,991</b>	<b>(6,113)</b>	<b>(2,682)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(Figures in €000)

The balances included in the credits heading do not accrue interest and they are generally settled in the following year.

Outstanding balances arising from ceded, retroceded and accepted reinsurance operations are included in the "Credits on reinsurance operations" entry.

The calculation and the recognition of impairment is performed as detailed in note 5.6 "Receivables" herein.

The breakdown of the "Corporate and other credits" at the closing of the last two years is shown below:

Corporate and other credits	AMOUNT	
	2015	2014
Credits on claims recovery	84	84
Balances receivable from staff	1,538	1,038
Other debtors	1,627	14,218
<b>TOTAL</b>	<b>3,249</b>	<b>15,340</b>

(Figures in €000)

## 6.6 ASSETS IMPAIRMENT

The impairment of assets in the last two years is detailed in the following tables:

### 2015

IMPAIRMENT IN:	Opening balance	Adjustments to the opening	Changes in perimeter	Recording in results		Direct recording in equity		Cancellation of asset	Closing balance
				Addition	Reduction	Addition	Reduction		
<b>INTANGIBLE ASSETS</b>									
I. Goodwill									
II. Other intangible assets									
<b>PROPERTY, PLANT AND EQUIPMENT</b>				<b>724</b>					<b>724</b>
I. Property for own use				724					724
II. Other property, plant and equipment									
<b>INVESTMENT</b>	<b>975</b>	<b>(45)</b>		<b>2</b>					<b>932</b>
I. Real estate investment									
II. Financial investment	60	(3)		2					59
- Held-to-maturity portfolio									
- Available-for-sale portfolio	60	(3)		2					59
- Trading portfolio									
III. Investment recorded as per the equity method	915	(42)							873
IV. Deposits established for accepted reinsurance									
V. Other investments									
<b>CREDITS</b>	<b>5,479</b>			<b>6,113</b>					<b>11,592</b>
I. Credits on direct insurance and co-insurance operations									
II. Credits on reinsurance operations	5,479			6,113					11,592
III. Tax credits									
IV. Corporate and other credits									
V. Shareholders, called capital									
<b>OTHER ASSETS</b>									
<b>TOTAL IMPAIRMENT</b>	<b>6,454</b>	<b>(45)</b>		<b>6,839</b>					<b>13,248</b>

(Figures in €000)

## 2014

IMPAIRMENT IN:	Opening balance	Adjustments to the opening balance	Changes in perimeter	Recording in results		Direct recording in equity		Cancellation of asset	Closing balance
				addition	reduction	addition	reduction		
<b>INTANGIBLE ASSETS</b>									
I. Goodwill									
II. Other intangible assets									
<b>PROPERTY, PLANT AND EQUIPMENT</b>									
I. Property for own use									
II. Other property, plant and equipment									
<b>INVESTMENT</b>	<b>985</b>	<b>(13)</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>975</b>
I. Real estate investment									
II. Financial investment	57	-	-	3	-	-	-	-	60
- Held-to-maturity portfolio									
- Available-for-sale portfolio	57	-	-	3	-	-	-	-	60
- Trading portfolio									
III. Investment recorded as per the equity method	928	(13)	-	-	-	-	-	-	915
IV. Deposits established for accepted reinsurance									
V. Other investments									
<b>CREDITS</b>	<b>2,797</b>	<b>-</b>	<b>-</b>	<b>2,682</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,479</b>
I. Credits on direct insurance and co-insurance operations									
II. Credits on reinsurance operations	2,797	-	-	2,682	-	-	-	-	5,479
III. Tax credits									
IV. Corporate and other credits									
V. Shareholders, called capital									
<b>OTHER ASSETS</b>									
<b>TOTAL IMPAIRMENT</b>	<b>3,782</b>	<b>(13)</b>	<b>-</b>	<b>2,685</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,454</b>

(Figures in €000)

## 6.7 TREASURY

There are no significant non-cash transactions related to investment and financing activities excluded in preparing the cash flow statement.

The cash balance breakdown for the last two years is as follows:

ITEM	2015	2014
Cash	96,701	73,586
Cash equivalents	33,050	39,701
<b>TOTAL</b>	<b>129,751</b>	<b>113,287</b>

(Figures in €000)

## 6.8 EQUITY

### Share capital

The share capital is recorded by the nominal value of disbursed shares or whose disbursement was demanded.

The share capital of the controlling company as at December 31 of the last two years, is represented as 72,231,068 nominative shares, each with a nominal value of 3.10 euros,

fully subscribed and disbursed. All shares carry identical voting and dividend rights.

The Company's Board of Directors shall propose, to the Annual General Meeting, in accordance with the provisions in Article 297.1b) of the Capital Companies Act, which may increase the share capital once or several times to a maximum of 111,958 thousand euros, equivalent to 50 percent of the current share capital over the next five years from the date of this agreement.

MAPFRE S.A. held 92.25 percent of the capital as at December 31, 2015 and 91.53 percent of the capital as at December 31, 2014.

The shares representing the share capital of the controlling company are not listed on the stock exchange.

### Valuation change adjustments

This includes the equity reserves arising as a consequence of revenues and expenses recognized in each year which, pursuant to IFRS, must be recorded in the Group's equity accounts.



The following table shows the nature of the "Valuation change adjustments:" recorded under the Equity heading at the closing of the last two years:

Item	AMOUNT	
	2015	2014
<b>Fixed income</b>		
Capital gains	93,959	134,745
Capital losses		
<b>Variable annuity and Investment Funds</b>		
Capital gains	13,638	24,590
Capital losses		
Shadow accounting		
Other adjustments		1,235
<b>TOTAL</b>	<b>107,597</b>	<b>160,570</b>

(Figures in €000)

### Restrictions on the availability of reserves

"Share issue Premium and Reserves" includes the controlling company's legal reserve, amounting to 44.8 million euros in the last two years, which may not be distributed to shareholders, except in the event of the controlling company's liquidation, and may only be used to offset potential losses.

The same restriction applies to the legal reserves established by subsidiaries and reflected in their balance sheets.

There are no other restrictions on the availability of reserves for any significant amount.

### Capital Management

MAPFRE has an internal capitalization and dividend policy that is designed to provide the business units with the capital necessary to cover the risks that have been accepted, all in a rational and objective way. Both the estimation of risks and the allocation of capital to each of the units, are detailed in note 7 of the "RISK MANAGEMENT" report.

The items forming part of the Group's uncommitted equity conform to the requirements of current regulations.

The MAPFRE Group's solvency margin in years 2015 and 2014 amounted to 9,825.5 million euros and 10,349.40 million euros, respectively. These figures exceeded the required minimum (3,8503.5 million euros and 3,9963.9 million euros, respectively) by 2.55 times in 2015 and by 2.59 times in 2014.

## 6.9 TECHNICAL PROVISIONS

### 1. Breakdown of the balance composition of technical provisions

The following table shows the balance composition of each of the technical provisions listed in the balance sheet of the last two years.

ITEM	ACCEPTED REINSURANCE		CEDED AND RETROCEDED REINSURANCE	
	2015	2014	2015	2014
<b>1 - Provisions for Non-Life unearned premiums and risks in progress</b>	<b>1,268,457</b>	<b>1,175,632</b>	<b>264,370</b>	<b>279,755</b>
1.1 Provision for unearned premiums	1,268,457	1,175,632	264,370	279,755
1.2 Provision for risks in progress	-	-	-	-
<b>2 - Provisions for Life insurance</b>	<b>474,182</b>	<b>358,084</b>	<b>15,476</b>	<b>14,609</b>
2.1 Provisions for unearned premiums and risks in progress	373,128	271,525	15,476	14,609
2.1.1 Provision for unearned premiums	373,128	271,525	15,476	14,609
2.1.2 Provision for risks in progress	-	-	-	-
2.2 Mathematical reserves	101,054	86,559	-	-
2.3 Provisions for profit sharing	-	-	-	-
<b>3 - Provision for outstanding claims</b>	<b>1,782,276</b>	<b>1,823,225</b>	<b>384,607</b>	<b>393,477</b>
3.1 Pending settlement or payment	1,782,276	1,823,225	384,607	393,477
3.2 Claims incurred but unreported (IBNR)	-	-	-	-
3.3 For claim settlement internal expenses	-	-	-	-
<b>4 - Other technical provisions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.1 Funeral plan insurance	-	-	-	-
4.2 Other	-	-	-	-
<b>TOTAL</b>	<b>3,524,915</b>	<b>3,356,941</b>	<b>664,453</b>	<b>687,841</b>

(Figures in €000)

### 2. Movement of each technical provisions

2.1 PROVISIONS FOR UNEARNED PREMIUMS, RISKS IN PROGRESS, CLAIMS, PROFIT SHARING AND OTHER TECHNICAL PROVISIONS.

#### a) Accepted reinsurance

2015

ITEM	Opening balance	Adjustments to the opening balance	Changes in perimeter	Additions	Reversals	Closing balance
<b>I. Provisions for Non-Life unearned premiums and risks in progress</b>	<b>1,175,632</b>	<b>(8,964)</b>	<b>-</b>	<b>1,268,457</b>	<b>(1,166,668)</b>	<b>1,268,457</b>
1. Provisions for unearned premiums	1,175,632	(8,964)	-	1,268,457	(1,166,668)	1,268,457
2. Provision for risks in progress	-	-	-	-	-	-
<b>II. Provisions for Life insurance</b>	<b>358,084</b>	<b>(4,536)</b>	<b>-</b>	<b>474,182</b>	<b>(353,548)</b>	<b>474,182</b>
1. Provisions for unearned premiums	271,525	(523)	-	373,128	(271,002)	373,128
2. Provision for risks in progress	-	-	-	-	-	-
3. Mathematical reserves	86,559	(4,013)	-	101,054	(82,546)	101,054
4. Provisions for profit sharing	-	-	-	-	-	-
<b>III. Provision for claims</b>	<b>1,823,225</b>	<b>(21,721)</b>	<b>-</b>	<b>1,782,276</b>	<b>(1,801,504)</b>	<b>1,782,276</b>
Accepted reinsurance	1,823,225	(21,721)	-	1,782,276	(1,801,504)	1,782,276
<b>IV. Other technical provisions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL</b>	<b>3,356,941</b>	<b>(35,221)</b>	<b>-</b>	<b>3,524,915</b>	<b>(3,321,720)</b>	<b>3,524,915</b>

(Figures in €000)

## 2014

ITEM	Opening balance	Adjustments to the opening balance	Changes in perimeter	Additions	Reversals	Closing balance
<b>I. Provisions for Non-Life unearned premiums and risks in progress</b>	<b>1.082.076</b>	<b>393</b>	-	<b>1.175.632</b>	<b>(1.082.469)</b>	<b>1.175.632</b>
1. Provisions for unearned premiums	1.082.076	393	-	1.175.632	(1.082.469)	1.175.632
2. Provision for risks in progress	-	-	-	-	-	-
<b>II. Provisions for Life insurance</b>	<b>267.325</b>	<b>(910)</b>	-	<b>358.084</b>	<b>(266.415)</b>	<b>358.084</b>
1. Provisions for unearned premiums	201.011	30	-	271.525	(201.041)	271.525
2. Provision for risks in progress	-	-	-	-	-	-
3. Mathematical reserves	66.314	(940)	-	86.559	(65.374)	86.559
4. Provisions for profit sharing	-	-	-	-	-	-
<b>III. Provision for claims</b>	<b>1.714.358</b>	<b>992</b>	-	<b>1.823.225</b>	<b>(1.715.350)</b>	<b>1.823.225</b>
Accepted reinsurance	1.714.358	992	-	1.823.225	(1.715.350)	1.823.225
<b>IV. Other technical provisions</b>	-	-	-	-	-	-
<b>TOTAL</b>	<b>3.063.759</b>	<b>475</b>	-	<b>3.356.941</b>	<b>(3.064.234)</b>	<b>3.356.941</b>

(Figures in €000)

b) Retroceded Reinsurance  
2015

ITEM	Opening balance	Adjustments to the opening balance	Changes in perimeter	Additions	Reversals	Closing balance
Provision for unearned premiums	279,755	(2,341)	-	264,370	(277,414)	264,370
Provisions for life insurance	14,609	(19)	-	15,476	(14,590)	15,476
Provision for claims	393,477	(10,899)	-	384,607	(382,578)	384,607
Other technical provisions	-	-	-	-	-	-
<b>TOTAL</b>	<b>687,841</b>	<b>(13,259)</b>	-	<b>664,453</b>	<b>(674,582)</b>	<b>664,453</b>

(Figures in €000)

## 2014

ITEM	Opening balance	Adjustments to the opening balance	Changes in perimeter	Additions	Reversals	Closing balance
Provision for unearned premiums	290,325	166	-	279,755	(290,492)	279,755
Provisions for life insurance	17,145	6	-	14,609	(17,152)	14,609
Provision for claims	400,842	564	-	393,477	(401,404)	393,477
Other technical provisions	-	-	-	-	-	-
<b>TOTAL</b>	<b>708,312</b>	<b>736</b>	-	<b>687,841</b>	<b>(709,048)</b>	<b>687,841</b>

(Figures in €000)

## 2.2 MATHEMATICAL RESERVES

ITEM	ASSUMED (INWARD) REINSURANCE	
	2015	2014
<b>MATHEMATICAL RESERVE AT BEGINNING OF YEAR</b>	<b>86,559</b>	<b>66,314</b>
Adjustments to the opening balance	(4,012)	(940)
Consolidation (balance of reserve on consolidation date)	-	-
Premiums	-	-
Technical interests	-	-
Allocated to profit sharing	-	-
Claim payments / receipts	-	-
Reserve adequacy test	-	-
Adjustments by shadow accounting	18,508	21,185
Other	-	-
Deconsolidation (balance of reserve on deconsolidation date)	-	-
<b>MATHEMATICAL RESERVE AT THE END OF THE YEAR</b>	<b>101,054</b>	<b>86,559</b>

(Figures in €000)

## 3. Other information

## 3.1 PROVISION FOR RISKS IN PROGRESS

The provision for risks in progress has been allocated by the criteria explained in note 5.9.

## 3.2 PERFORMANCE OF CLAIMS PER YEAR OF EVENT

Details on the performance of the claims ratio per year of occurrence in accepted reinsurance are not provided because generally, ceding companies follow accounting methods other than year of occurrence.

The 2015 and 2014 figures have been used to carry out a survey on the adequacy of the technical provisions at the end of the referred years. This study was conducted by an independent and reputable specialized firm and has revealed its adequacy.

## 6.10 PROVISIONS FOR RISKS AND EXPENSES

The provisions for risks and expenses include the estimated amounts of externalized obligations, exteriorized obligations, employee incentives, and others derived from the activities and inherent risks of the Group companies, which will be paid in the coming years. The estimate of the amount provided or temporary period in which the provision shall be liquidated, is affected by uncertainties regarding the resolution of filed appeals and performance of other parameters. It was not necessary to formulate hypotheses regarding future events to determine the value of the provision.

The following tables detail the movements of provisions for risks and expenses in the last two years.

### 2015

ITEM	OPENING BALANCE	ADJUSTMENTS TO THE OPENING BALANCE	CHANGES IN PERIMETER	ENTRIES		DISPOSALS		CLOSING BALANCE	RECOGNIZED DISBURSEMENT AMOUNTS	MAXIMUM REVERSAL DEADLINE
				Provisions allocated	Increased value on discount	Applied provisions	Reversed provisions			
Provisions for staff incentives	1,692	-	-	2,250	-	(1,692)	-	2,250	-	-
Other provisions	2,709	-	-	4,173	-	(134)	-	6,748	-	-
<b>TOTAL BOOK VALUE</b>	<b>4,401</b>	<b>-</b>	<b>-</b>	<b>6,423</b>	<b>-</b>	<b>(1,826)</b>	<b>-</b>	<b>8,998</b>	<b>-</b>	<b>-</b>

(Figures in €000)

### 2014

ITEM	OPENING BALANCE	ADJUSTMENTS TO THE OPENING BALANCE	CHANGES IN PERIMETER	ENTRIES		DISPOSALS		CLOSING BALANCE	RECOGNIZED DISBURSEMENT AMOUNTS	MAXIMUM REVERSAL DEADLINE
				Provisions allocated	Increased value on discount	Applied provisions	Reversed provisions			
Provisions for staff incentives	1,546	-	-	1,692	-	(1,546)	-	1,692	-	-
Other provisions	1,960	-	-	1,613	-	(864)	-	2,709	-	-
<b>TOTAL BOOK VALUE</b>	<b>3,506</b>	<b>-</b>	<b>-</b>	<b>3,305</b>	<b>-</b>	<b>(2,410)</b>	<b>-</b>	<b>4,401</b>	<b>-</b>	<b>-</b>

(Figures in €000)

The entry "Other Provisions" includes the following entries: Defined benefit plans for the years 2015 and 2014 described in note 6.18-2B of the report, for an amount of 419 thousand euros and 434 thousand euros respectively, the medium-term incentive plan of years 2015 and 2014 described in note 6.18-1 of the report, amounting to 1,640 thousand euros and 1,261 thousand euros and the long service bonuses of years 2015 and 2014 amounting to 1,043 thousand euros and 872 thousand euros, respectively.

This entry also includes Life insurance with death coverage between 65 and 77 years amounting to 372 thousand euros, mentioned in Note 4 k) "Personnel expenses", having been charged as an expense, 20 thousand euros, recording the net difference of the tax effect (264 thousand euros), under the heading "Results from previous years". This movement is reflected in the statement of changes in equity as "Other variations" for the year 2015.

### **6.11 DEPOSITS RECEIVED ON CEDED (OUTWARD) AND RETROCEDED REINSURANCE**

Deposits on ceded and retroceded reinsurance represent guarantees provided to reinsurers based on reinsurance coverage contracts signed within normal business practices. These mostly accrue a payable interest average of 1.7 percent and the average renewal period is generally annual. The liquidation of the aforementioned interest is settled quarterly.

### **6.12 DEBTS**

The balances included in the headings due on reinsurance operations, tax debts and other debts do not accrue payable interest and generally their liquidation is performed in the following year.

### **6.13 GUARANTEES COMMITTED TO THIRD PARTIES**

The controlling Company has provided letters of credit guaranteeing premiums and outstanding claims against official bodies amounting to 56.56 and 67.61 million euros in 2015 and 2014 respectively. Fixed income securities have been pledged in favor of ceding companies by these letters of credit, in the available-for-sale portfolio amounting to 408.63 y 456.13 million euros in years 2015 and 2014 respectively.

## 6.14 INVESTMENTS REVENUE AND EXPENSES

The breakdown of revenues and expenses from investments for years 2015 and 2014 is shown below:

### Revenues from investments

ITEM	REVENUE FROM INVESTMENTS TYPE				TOTAL	
	OPERATIONS		EQUITY		2015	2014
	2015	2014	2015	2014		
<b>REVENUES FROM DIVIDEND INTERESTS AND SIMILAR</b>						
Real estate investment:	-	279	253	-	253	279
- Rentals	-	279	253	-	253	279
Revenue from the held-to-maturity portfolio:						
- Fixed income						
- Other investments						
Revenue from the available-for-sale portfolio:	89,130	84,986	4,754	8,073	93,884	93,059
Revenue from the trading portfolio:	2,406	1,111	13	590	2,419	1,701
Dividends of Group companies	-	-	-	-	-	-
Other financial returns	56,559	54,524	63	2,417	56,622	56,941
<b>TOTAL REVENUE</b>	<b>148,095</b>	<b>140,900</b>	<b>5,083</b>	<b>11,080</b>	<b>153,178</b>	<b>151,980</b>
<b>REALIZED AND UNREALIZED EARNINGS</b>						
<b>Net realized Earnings:</b>	47,574	20,399	4,595	1,282	52,169	21,681
Real estate investment						
Held-to-maturity portfolio investment						
Available-for-sale portfolio investment	47,574	20,399	4,528	1,275	52,102	21,674
Trading portfolio investment	-	-	-	7	-	7
Other	-	-	67	-	67	-
<b>Unrealized gains</b>						
Fair value increase trading portfolio						
Other						
<b>TOTAL GAINS</b>	<b>47,574</b>	<b>20,399</b>	<b>4,595</b>	<b>1,282</b>	<b>52,169</b>	<b>21,681</b>
<b>TOTAL REVENUES FROM INVESTMENT</b>	<b>195,669</b>	<b>161,299</b>	<b>9,678</b>	<b>12,362</b>	<b>205,347</b>	<b>173,661</b>

(Figures in €000)

## Investment expenses

ITEM	INVESTMENT EXPENSES TYPES				TOTAL	
	OPERATIONS		EQUITY		2015	2014
	2015	2014	2015	2014		
<b>FINANCIAL EXPENSES</b>						
Real estate investment:	99	118	-	-	99	118
- Direct operational expenses	62	54			62	54
- Other expenses	37	64			37	64
<b>Expenses from held-to-maturity portfolio:</b>						
- Fixed income						
- Other investments						
Expenses from available-for-sale portfolio:	22,789	18,165	1,496	1,188	24,285	19,353
<b>Expenses from trading portfolio:</b>						
Other financial expenses	2,091	2,290	724	231	2,815	2,521
<b>TOTAL EXPENSES</b>	<b>24,979</b>	<b>20,573</b>	<b>2,220</b>	<b>1,419</b>	<b>27,199</b>	<b>21,992</b>
<b>REALIZED AND UNREALIZED LOSSES</b>						
<b>Net realized losses:</b>	<b>13,619</b>	<b>1,810</b>	<b>1,434</b>	<b>218</b>	<b>15,053</b>	<b>2,028</b>
Real estate investment						
Held-to-maturity portfolio financial investment						
Available-for-sale portfolio financial investment	13,420	1,693	1,414	162	14,834	1,855
Trading portfolio Financial investment	199	111	20	12	219	123
Other	-	6	-	44	-	50
<b>Unrealized losses:</b>						
Fair value reduction trading portfolio						
Other						
<b>TOTAL LOSSES</b>	<b>13,619</b>	<b>1,810</b>	<b>1,434</b>	<b>218</b>	<b>15,053</b>	<b>2,028</b>
<b>TOTAL INVESTMENT EXPENSES</b>	<b>38,598</b>	<b>22,383</b>	<b>3,654</b>	<b>1,637</b>	<b>42,252</b>	<b>24,020</b>

(Figures in €000)

## 6.15 OPERATING EXPENSES

A breakdown of net operating expenses by destination, for the last two financial years, is shown below:

Operating expenses by destination	2015	2014
Claims-related expenses	(102)	(158)
Acquisition expenses	(863,713)	(782,664)
Administration expenses	(13,424)	(10,338)
Expenses from investments	(42,252)	(24,020)
Other technical expenses	(2,657)	(3,938)
Other non-technical expenses	(4,182)	(4,415)
Operating activities (other activities)		
<b>TOTAL</b>	<b>(926,330)</b>	<b>(825,533)</b>

Operating expenses by nature	2015	2014
Commissions and other portfolio expenses	(826,293)	(748,824)
Personnel expenses	(34,856)	(31,712)
External services	(26,920)	(23,468)
- Leasing (buildings)	(4,220)	(4,102)
- Repairs and upkeep (buildings)	(1,519)	(1,197)
- Leasing and repairs (information technology equipment)	(169)	(208)
- Leasing and repairs (information technology applications)	(1,040)	(933)
- Other services (information technology applications)	(1,748)	(1,635)
- Supplies (communications)	(843)	(799)
- Advertising and marketing	(533)	(513)
- Public relations	(2,333)	(2,416)
- Independent professional services	(10,803)	(7,941)
- Other Services	(3,712)	(3,724)
Taxes	1,068	834
Financial expenses	-	-
Provision for amortization	(1,492)	(1,573)
Expenses posted directly to use	(37,837)	(20,790)
<b>TOTAL</b>	<b>(926,330)</b>	<b>(825,533)</b>

(Figures in €000)

The income statement reflects expenses by destination, i.e., based on the function the expenses fulfill in the operational cycle of the insurance activity (claims-related expenses, to the acquisition of insurance contracts, to administration, to investments or to other technical items).

Expenses are initially recognized according to their nature, and are reclassified according to their destination in those cases in which the nature and destination are not the same. The reclassification performed in the subject headings is as follows:

### 1) Claims-related expenses.

Includes expenses for personnel assigned to claims management, amortization and depreciation of fixed assets assigned to this activity, fees paid for claims management and expenses incurred for other services necessary for processing claims.

### 2) Net operating expenses.

The expenses included in this heading are:

– Acquisition expenses: Includes commissions, expenses for personnel assigned to production, amortization and depreciation of fixed assets assigned to this activity, expenses for analyzing and processing policy applications and formalizations, as well as advertising and commercial organization expenses directly related to the acquisition of insurance contracts.

The fees and other acquisition expenses corresponding to the accrued premiums that can be allocated to the period between the closing date and the end of coverage of the contracts are basically included under the heading "Adjustments for Prepayment" of the asset. The expenses allocated to the earnings correspond to those actually incurred in the period in accordance with the provisions in Note 5.9.B.1.

In parallel, the amounts of fees and other acquisition expenses for the ceded reinsurance that have to be allocated to the year or following years in accordance with the coverage period of the ceded policies are included under the heading "Adjustments for Prepayment" of the liability.

– Administration expenses: primarily includes expenses for personnel assigned to these duties and amortization and depreciation of fixed assets assigned to this activity, as well as expenses deriving from contentious matters related with premiums, portfolio management and premium collection expenses, and expenses for processing refunds and insurance ceded and accepted.

– Reinsurance commissions and shares, includes compensation from reinsurers to the ceding companies for acquisition and administration expenses incurred by the latter, as well as their participation in the profits of the reinsurer.

### 3) Expenses from investments.

Includes expenses for personnel assigned to managing investments, charges to amortization and depreciation of fixed assets assigned to this activity, and other internal and external expenses for managing investments, with external expenses including fees, commissions and brokerage fees accrued.

Expenses from investments are classified as from operations or from equity, depending on whether they derive from investments in which the technical provisions materialize (operating investments) or from investments in which the company's equity materializes (equity investments).

The following table displays the breakdown of allocations to amortizations by activity segment:

ITEM	AMOUNT	
	2015	2014
<b>Reinsurance</b>		
a) Life	208	247
b) Non-Life	1,284	1,326
<b>Other Activities</b>	-	-
<b>TOTAL</b>	<b>1,492</b>	<b>1,573</b>

(Figures in €000)



## 6.16 RESULTS FROM CEDED AND RETROCEDED REINSURANCE

The results by ceded and retroceded reinsurance for years 2015 and 2014 are shown below:

ITEM	NON-LIFE		LIFE		TOTAL	
	2015	2014	2015	2014	2015	2014
Premiums (-)	(1,167,814)	(1,043,247)	(54,396)	(96,643)	(1,222,210)	(1,139,890)
Provision variations for unearned premiums and for risks in progress	(9,851)	(5,806)	(2,817)	(7,695)	(12,668)	(13,501)
Claims paid (+) variation in provision for outstanding claims	658,329	453,877	40,534	35,639	698,863	489,516
Variation in mathematical reserves						
Variation in other technical provisions						
Reinsurance participation in fees and expenses (+)	210,651	199,465	21,174	34,885	231,825	234,350
Other						
<b>RESULTS FROM RETROCEDED AND CEDED REINSURANCE</b>	<b>(308,685)</b>	<b>(395,711)</b>	<b>4,495</b>	<b>(33,814)</b>	<b>(304,190)</b>	<b>(429,525)</b>

(Figures in €000)

## 6.17 FISCAL SITUATION

### a) Tax consolidation regime

#### INCOME TAX

Since financial year 2002, MAPFRE RE forms part of the included companies for corporation tax purposes in Fiscal Group 9/85. This Group is comprised by MAPFRE, S.A. and its subsidiaries that are eligible for this tax regime.

Therefore, receivable and payable income tax amounts are recorded under the headings "Corporate and other credits" and "Other debts" in the consolidated balance sheet.

#### VALUE ADDED TAX

Since financial year 2010, and for the purposes of value added tax, the controlling company forms part of the companies Group No. VAT 87/10, comprised by MAPFRE S.A. as the controlling company and controlled companies that agreed to join the Group when it was created.

b) Components of income tax expenses and reconciliation of the book result with the tax cost of ongoing operations.

Shown below for the financial years ending December 31, 2015 and 2014, are the main components of the income tax expenses from ongoing activities and the reconciliation between the income tax expenses and the product of multiplying the book result by the applicable tax rate.

The Group has reconciled the amounts by aggregating reconciliations made separately using the national rates of each country.

ITEM	AMOUNT	
	2015	2014
<b>Tax expense</b>		
<b>Result before taxes from ongoing operations</b>	<b>205,131</b>	<b>200,254</b>
28 % of the result before taxes from ongoing operations	(57,437)	(60,076)
Tax incentive for the year	4,475	5,404
Tax effect of the permanent differences	1,129	(3,924)
Tax effect of tax rates other than 28 %	(732)	(134)
Total expense from current tax originating in the year	(52,565)	(58,730)
Expense from current tax originating in previous years		
Credits on negative tax bases from previously unrecognized previous periods, deductions pending application or temporary differences, using negative tax bases, deductions pending application or temporary differences		
<b>TOTAL TAX EXPENSE OF ONGOING OPERATIONS</b>	<b>(52,565)</b>	<b>(58,730)</b>
<b>Payable income tax</b>		
Retentions and interim payments	35,601	40,653
Temporary differences	6,553	10,097
Tax credits and incentives applied, recorded in previous years		
<b>Income tax on discontinued operations</b>		
<b>TOTAL (PAYABLE) OR RECEIVABLE:</b>	<b>(10,411)</b>	<b>(7,980)</b>

(Figures in €000)

With regard to Spanish companies, current regulations established, in 2014, the decrease of the overall tax rate in 2014 (30 percent) by five percentage points in the following years. In the 2015 year, this tax change has affected the valuation of assets and future tax liabilities, which have been calculated according to the tax rates expected at the time of their being performed. The deferred taxes recorded in previous years were recalculated taking into account the new tax rates, recognizing the difference in the income statement or in equity, depending on the item from which they derived.

### c) Deferred tax assets

As at December 31, 2015 and 2014, for the purpose of presentation in the consolidated balance sheet, and the deferred tax assets and liabilities of each taxpaying company of the Group, and, so that the information is comparable, the amounts of the entries corresponding to year 2014 within the table "deferred tax liabilities" were restated.

## d) Deferred tax liabilities

The following tables display the breakdown of movements of the heading deferred tax liabilities for years 2015 and 2014.

### 2015

ITEM	OPENING BALANCE	ADJUSTMENTS TO THE OPENING BALANCE	CHANGES IN PERIMETER	FROM		WRITE-OFFS	CLOSING BALANCE
				Results	Equity		
- Measurement difference in financial investments	53,243	76		(9,317)	(9,413)		34,589
- Embedded derivatives	-	-					
- Stabilization and disaster provision	8,918	(208)		(718)	6,699		14,691
- Portfolio and other acquisition expenses	-	-					
- Other	(12,141)	(318)		(5,925)	173		(18,211)
<b>TOTAL DEFERRED TAX LIABILITIES</b>	<b>50,020</b>	<b>(450)</b>		<b>(15,960)</b>	<b>(2,541)</b>		<b>31,069</b>

(Figures in €000)

### 2014

ITEM	OPENING BALANCE	ADJUSTMENTS TO THE OPENING BALANCE	CHANGES IN PERIMETER	FROM		WRITE-OFFS	CLOSING BALANCE
				Results	Equity		
- Measurement difference in financial investments	20,064	(319)	-	(5,946)	39,444	-	53,243
- Embedded derivatives	-	-	-	-	-	-	-
- Stabilization and disaster provision	-	-	-	(1,784)	10,702	-	8,918
- Portfolio and other acquisition expenses	-	-	-	-	-	-	-
- Other	(19,560)	308	-	6,986	125	-	(12,141)
<b>TOTAL DEFERRED TAX LIABILITIES</b>	<b>504</b>	<b>(11)</b>	-	<b>(744)</b>	<b>50,271</b>	-	<b>50,020</b>

(Figures in €000)

At the closing of year 2015, deferred tax liabilities maturing under 12 months amount to 285 thousand euros (38 thousand euros in 2014).

The balance of "Other" is largely due to the following reasons:

#### 2015

- Deferred taxes arising from staff commitments for the sum of (-1,925) thousand euros.
- Tax deductible losses for the sum of (+5) thousand euros.
- Foreign taxes for the sum of (-16,110) thousand euros.
- Venezuela property impairment for the sum of (-181) thousand euros.

#### 2014

- Deferred taxes arising from staff commitments for the sum of (-1,441) thousand euros.
- Tax deductible losses for the sum of (+412) thousand euros.
- Foreign taxes for the sum of (-11,112) thousand euros.

The full amount of deferred tax liabilities of the fully consolidated companies as a result of taxable temporary differences accumulated as at December 31, 2015 and December 31, 2014 was recorded in the balance sheet on these dates.

## e) Tax incentives

The breakdown of tax assets of the fully consolidated companies for years 2015 and 2014 is as follows.

METHOD	FINANCIAL YEAR	SUM APPLIED IN THE YEAR		SUM PENDING APPLICATION		NON-RECORDED SUM		DEADLINE FOR APPLICATION	
		2015	2014	2015	2014	2015	2014	2015	2014
- Deduction from investments									
- Double taxation deduction	-	4.402	4.919	-	-	-	-	-	-
- Job creation									
- Other	-	73	485	-	-	-	-	-	-
<b>TOTAL</b>	-	<b>4.475</b>	<b>5.404</b>	-	-	-	-	-	-

(Figures in €000)

The company has embraced, in accordance with the provisions of Article 25 of Law 27/2014 of November 27, on Corporate Income Tax, the tax benefit of the capitalization reserve in its status as a company belonging to Tax Group 9/85 amounting to 4,792 thousand euros.

## f) Verification by tax authorities

According to current legislation for Spanish companies, the statements made by the different taxes may not be considered final until they have been inspected by tax authorities or the expiration period of four years has elapsed.

The Company, as at December 31, is open to inspection regarding all taxes to which it is subject for years 2012 to 2015, as well as corporate income tax for the year 2011. In the view of the advisers to the Company, the possibility that tax liabilities may occur, that significantly affect the financial position of the Company as at December 31, 2015 is remote.

## 6.18 REMUNERATIONS TO STAFF AND RELATED LIABILITIES

### 1. Staff expenses

The staff expenses breakdown for the last two years is shown in the following table.

ITEM	AMOUNT	
	2015	2014
<b>a) Short-term remunerations.</b>	<b>32,661</b>	<b>26,889</b>
a.1) Wages and salaries	21,635	19,869
a.2) Social Security	4,306	3,899
a.3) Other remuneration	6,342	3,121
<b>b) Post-employment benefits</b>	<b>2,078</b>	<b>1,533</b>
b.1) Defined contribution commitments	1,323	1,427
b.2) Defined benefit commitments	755	106
<b>c) Termination payments</b>	<b>140</b>	<b>2,683</b>
<b>d) Share-based payments</b>	<b>(23)</b>	<b>(42)</b>
<b>e) Other long-term remunerations</b>	<b>378</b>	<b>649</b>
<b>TOTAL</b>	<b>34,856</b>	<b>31,712</b>

(Figures in €000)

### 2. Benefits and other post-employment earnings

#### A) DESCRIPTION OF THE DEFINED BENEFIT PLANS CURRENTLY IN FORCE.

The defined benefit plans in force are instrumented through insurance policies, are measured pursuant to the provisions described in the accounting policies, and are those where the benefit is determined according to end salaries, with the benefit paid as a life annuity, subject to review in line with the annual consumer price index (CPI).

All of these correspond to retired staff.

## B) AMOUNTS RECOGNIZED IN THE BALANCE SHEET.

### Reconciliation with the present value of the obligation

The reconciliation of the present value of the obligation arising from defined benefit plans in the past two years is indicated as follows.

ITEM	2015	2014
<b>PRESENT VALUE OF OBLIGATION AT JANUARY 1</b>	<b>434</b>	<b>449</b>
Cost of services in current year		
Interest cost	20	20
Contributions made by plan members		
Actuarial gains or losses.	8	4
Modifications due to exchange rate changes		
Benefits paid	(26)	(26)
Cost of past services		
Settlements	(17)	(13)
Other		
<b>CURRENT VALUE OF OBLIGATION AT DECEMBER 31</b>	<b>419</b>	<b>434</b>

(Figures in €000)

En el siguiente cuadro se detalla la conciliación del saldo inicial y final de los derechos de reembolso de los dos últimos ejercicios, correspondientes a los mencionados planes

ITEM	2015	2014
<b>REIMBURSEMENT RIGHT VALUE AND ASSETS ALLOCATED TO THE PLAN AS AT JANUARY 1</b>	<b>434</b>	<b>449</b>
Expected return from allocated assets	20	20
Actuarial gains or losses	8	4
Modifications due to exchange rate changes		
Contributions made by the employer		
Contributions made by plan members		
Benefits paid	(26)	(26)
Settlements		
Other	(17)	(13)
<b>REIMBURSEMENT RIGHT VALUE AND ASSETS ALLOCATED TO THE PLAN AS AT DECEMBER 31</b>	<b>419</b>	<b>434</b>

(Figures in €000)

## C) AMOUNTS RECOGNIZED IN THE CONSOLIDATED INCOME STATEMENT

The following table details the amounts recognized in the consolidated income statement for years 2015 and 2014, derived from previous plans.

ITEM	2015	2014
Costs of services in current year		
Interest cost	20	20
Expected return from assets allocated to the plan		
Expected return from any right to reimbursement recognized as an asset	(20)	(20)
Actuarial gains or losses		
Cost of past services recognized in the year		
Effect of any reduction or settlement		
Other items		
<b>TOTAL EXPENSE RECOGNIZED IN THE INCOME STATEMENT</b>	<b>-</b>	<b>-</b>

(Figures in €000)

## D) RETURNS

The expected rate of return is determined based on the type of guaranteed yield in allocated insurance policies.

The actual return of assets allocated to the plan (reimbursement rights) as well as the investments allocated to cover the mathematical reserves, amounted to 20 thousand euros in both years.

## E) ASSUMPTIONS

The main actuarial assumptions used as at the end of both years are the following: mortality tables PERM / F-2000, annual CPI of 3 percent in both years, the discount rate and the expected return of allocated assets being identical, whenever dealing with products with cash flow matching.

## F) ESTIMATES

Contributions to the defined benefit plans in financial year 2016 are not envisaged.

## 3. Share-based payments

The MAPFRE, S.A. Extraordinary General Meeting held on July 4, 2007 approved the incentive plan linked to the value of the shares for GRUPO MAPFRE's executives, as described below:

– Formula: Each participant is granted the right to receive in cash an amount of money equivalent to the result of multiplying the number of shares of MAPFRE S.A. theoretically assigned by the difference between the simple arithmetical mean of the closing quotation prices on the trading sessions of the 30 workdays preceding the notification date of the financial year and the simple arithmetical mean of the closing quotation prices on the trading sessions corresponding to the 30 workdays immediately preceding the date of inclusion in the plan. Nevertheless, in the initial group of participants, this benchmark was replaced by the closing quotation price on December 31, 2006, which was 3.42 euros per share.

– Exercise of the right: the right can be exercised up to a maximum of 30 percent during the month of January of the fourth year, up to a maximum of 30 percent during the month of January of the seventh year and for the remaining amount during the month of January of the tenth year. The deadline for exercising all the rights granted shall be the last day of the third period mentioned above.

The number of benchmark shares taken into account for the purpose of calculating the remuneration was 219,298 shares in the last two financial years, with a strike price of the aforementioned 3.42 euros per share.

There have been no plan cancellations or additions in the last two years.

To obtain the fair value of the options granted, the measurement model based on binomial trees has been applied, considering the following parameters:

- The zero coupon rate derived from the IRS yield curve (Interest Rate Swap) of the euro in the maturity of the option was considered as risk-free interest rate.
- Dividend yield was considered as the result from the dividends paid from the last year closed (2014) and the share price at the end of year 2015.
- The result from the share quotation of MAPFRE, S.A. during the year 2015 was taken as the volatility of the underlying asset.

Based on the aforementioned parameters, the mentioned remuneration system is measured and recognized in the statement of income as indicated in Note 5.13 of the report. Personnel expenses recorded in the statement of income for this item amount to 23,000 and 42,000 euros in 2015 and 2014, respectively, with a liability being recognized for the same amount.

The total carrying amount of the liabilities recorded at the end of years 2015 and 2014 in relation to the incentive plan referenced to the share price value amounts to 5,000 and 28,000 euros respectively (being the intrinsic value null as at that date).

As at the end of the year, no right has been exercised, therefore 100 percent of these shall be exercised, when appropriate, in January 2017.

#### 4. Number of employees

The following table shows the average number of employees for the last two financial years, classified by category and gender, and distributed by geographic areas.

ITEM	EXECUTIVES 2015		ADMINISTRATIVE 2015		SALES 2015		OTHER 2015		TOTAL 2015	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
SPAIN	11	8	5	23	14	4	59	39	89	74
UNITED STATES OF AMERICA	1	1	-	3	-	-	1	6	2	10
BRAZIL	3	-	-	3	-	-	8	4	11	7
REST OF AMERICA	5	1	10	13	-	-	16	12	31	26
CHILE	1	-	2	4	-	-	10	4	13	8
EUROPE	7	1	1	11	-	-	16	17	24	29
PHILIPPINES	1	-	1	2	-	-	1	4	3	6
REST OF ASIA				1			1		1	1
<b>TOTAL AVERAGE NUMBER OF EMPLOYEES</b>	<b>29</b>	<b>11</b>	<b>19</b>	<b>60</b>	<b>14</b>	<b>4</b>	<b>112</b>	<b>86</b>	<b>174</b>	<b>161</b>

ITEM	EXECUTIVES 2014		ADMINISTRATIVE 2014		SALES 2014		OTHER 2014		TOTAL 2014	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
SPAIN	23	15	7	23	15	5	40	31	85	73
UNITED STATES OF AMERICA	1	1	-	3	-	-	1	6	2	10
BRAZIL	3	-	-	2	-	-	8	4	11	6
REST OF AMERICA	5	1	9	15	-	-	15	11	29	27
CHILE	1	-	2	4	-	-	8	4	11	8
EUROPE	14	6	1	9	-	-	9	10	24	25
PHILIPPINES	1	1	1	1	-	-	1	3	3	5
<b>TOTAL AVERAGE NUMBER OF EMPLOYEES</b>	<b>48</b>	<b>24</b>	<b>20</b>	<b>57</b>	<b>15</b>	<b>5</b>	<b>82</b>	<b>69</b>	<b>165</b>	<b>154</b>

There were no significant differences between the average workforce and the number of employees at the close of the last two years.

### 6.19 EARNINGS ON FOREIGN EXCHANGE DIFFERENCES

Exchange gains other than those arising from financial instruments measured at fair value, allocated to the consolidated statement of income, amount to 723.2 million and 383.7 million euros in financial years 2015 and 2014, respectively.

Exchange losses other than those arising from financial instruments measured at fair value, allocated to the consolidated statement of income, amount to 715.9 million and 381 million euros in financial years 2015 and 2014, respectively.

The reconciliation of the exchange differences recognized in equity at the beginning and end of the year in 2015 and 2014 is presented below.

DESCRIPTION	AMOUNT	
	2015	2014
<b>EXCHANGE DIFFERENCES AT THE BEGINNING OF THE YEAR</b>	<b>13,335</b>	<b>13,029</b>
Net exchange differences on conversion of financial statements	(13,084)	(478)
Net exchange differences on valuation of non-monetary items	704	784
<b>EXCHANGE DIFFERENCES AT THE END OF THE YEAR</b>	<b>955</b>	<b>13,335</b>

(Figures in €000)

The following table shows, as at December 31, 2015 and 2014, the net exchange differences arising from the translation into euros of the financial statements of those Group companies whose functional currency is not the euro:

#### Fully consolidated companies

Fully consolidated companies	GEOGRAPHICAL AREA	TRANSLATION DIFFERENCES					
		POSITIVE		NEGATIVE		NET	
		2015	2014	2015	2014	2015	2014
MAPFRE CHILE RE	CHILE	-	1,989	(64)	-	(64)	1,989
MAPFRE RE BRAZIL	BRAZIL	-	-	(22,273)	(11,240)	(22,273)	(11,240)
RMI	UNITED STATES OF AMERICA	4	2	-	-	4	2
MAPFRE RE	SPAIN	23,288	22,584	-	-	23,288	22,584
<b>TOTAL</b>		<b>23,292</b>	<b>24,575</b>	<b>(22,337)</b>	<b>(11,240)</b>	<b>955</b>	<b>13,335</b>

(Figures in €000)

The directly recognized result in equity derived from the revaluation of non-monetary items in the last two years is indicated below.

#### Exchange differences directly recognized in equity

Company	GEOGRAPHICAL AREA	TRANSLATION DIFFERENCES					
		POSITIVE		NEGATIVE		NET	
		2015	2014	2015	2014	2015	2014
MAPFRE RE	SPAIN	1,083	415	-	-	1,083	415
<b>TOTAL</b>		<b>1,083</b>	<b>415</b>	<b>-</b>	<b>-</b>	<b>1,083</b>	<b>415</b>

(Figures in €000)

## 6.20 CONTINGENT ASSETS AND LIABILITIES

As at the closing date of the annual accounts, there are contingent assets derived from the positive business performance of MAPFRE Reinsurance Corporation (M.R.C.), whose financial effect is estimated at 0.82 million US dollars (0.59 million in year 2014). In the sales contract of this company to MAPFRE USA, an adjustment in the price includes all three years, extended to four years in July, 2015 depending on M.R.C. business performance. This adjustment must have a maximum limit of 3 million US dollars.



## 6.21 TRANSACTIONS WITH RELATED PARTY

All related party transactions have been conducted under market conditions.

### Operations with Group companies

The operations conducted between Group companies, with a null effect on results because they have been eliminated in the consolidation process, are shown below:

ITEM	EXPENSES		REVENUE	
	2015	2014	2015	2014
Received/provided services and other expenses/revenue	1,444	1,227	1,444	1,227
Expenses/revenue from real estate investments				
Expenses/revenue from investments and financial accounts				
Dividends paid out		-	1,743	2,627
<b>TOTAL</b>	<b>1,444</b>	<b>1,227</b>	<b>3,187</b>	<b>3,854</b>

(Figures in €000)

The amounts included in the consolidated income statement as a result of transactions during the year with higher consolidated groups are detailed as follows:

ITEM	EXPENSES	
	2015	2014
Expenses and revenue from real estate investment	2,656	2,588
Expenses and revenue from investments and financial accounts	2,283	2,060
Received/provided services and other expenses/revenue	5,155	3,444
Dividends paid out		
<b>TOTAL</b>	<b>10,094</b>	<b>8,092</b>

(Figures in €000)

### Reinsurance operations

Reinsurance operations conducted between consolidated Group companies, which have been eliminated in the consolidation process, are detailed below:

ITEM	EXPENSES		INCOME	
	2015	2014	2015	2014
Ceded/accepted premiums	7,890	15,473	(7,550)	(13,304)
Claims	8,240	9,198	(8,736)	(9,144)
Changes in technical provisions	4,230	4,234	(3,910)	(4,165)
Fees	(2,011)	(3,572)	1,921	2,965
Other technical revenue and expenses	-	-	-	-
<b>TOTAL</b>	<b>18,349</b>	<b>25,333</b>	<b>(18,275)</b>	<b>(23,648)</b>

(Figures in €000)

Reinsurance operations with the higher consolidated Group (MAPFRE S.A.) are detailed below:

ITEM	INCOME/EXPENSES			
	ASSUMED REINSURANCE		CEDED REINSURANCE	
	2015	2014	2015	2014
Premiums	1,636,796	1,488,266	(89,002)	(87,264)
Claims	(958,944)	(719,068)	51,574	22,301
Fees	(429,497)	(337,433)	12,343	11,823
<b>TOTAL</b>	<b>248,355</b>	<b>431,765</b>	<b>(25,085)</b>	<b>(53,140)</b>

(Figures in €000)

The following table shows the balances with reinsurers and ceding companies, deposits given, and technical provisions on reinsurance activities with consolidated Group companies, all of which have been eliminated in the consolidation process and the consolidated MAPFRE S.A.:

ITEM	ELIMINATED BALANCES				NON-ELIMINATED BALANCES			
	ASSUMED REINSURANCE		CEDED REINSURANCE		ASSUMED REINSURANCE		CEDED REINSURANCE	
	2015	2014	2015	2014	2015	2014	2015	2014
Credits and debts	606	300	-	-	96,944	99,303	(126,271)	(103,416)
Deposits	(51)	(461)	(51)	(453)	116,987	74,700	249	49
Technical Provisions	(9,808)	(13,718)	(10,043)	(14,273)	(928,507)	(857,252)	64,186	47,730
<b>TOTAL</b>	<b>(9,253)</b>	<b>(13,879)</b>	<b>(10,094)</b>	<b>(14,726)</b>	<b>(714,576)</b>	<b>(683,249)</b>	<b>(61,836)</b>	<b>(55,637)</b>

(Figures in €000)

### Remuneration of key management staff:

The following table details the remuneration earned in the last two years by key management staff (understood as members of the Board of Directors, Management Committee and the Steering Committees of the Controlling Company):

ITEM	IMPORTE	
	2015	2014
Short-term benefits		
Salaries	816.47	726.50
Fixed allowances	240.34	176.26
Attendance fees	----	38.88
Life Insurance	24.91	26.87
Other items	4.95	7.38
Post-employment benefits		
Defined contribution	410.04	388.61
Reward for permanence	3.57	3.01
<b>TOTAL</b>	<b>1,500.28</b>	<b>1,367.51</b>

(Figures in €000)

Base remuneration of external directors consists of a fixed annual allowance as members of the Board of Directors of insurance companies in Spain, amounting to 30,000 euros, and to 5,000 euros for members of Steering Committees.

Life insurance is also established in case of death, with an insured capital of 150,253 euros, as well as some advantages recognized to personnel, such as disease insurance.

Executive directors (who are deemed to be both the company's executives and those performing executive duties in other MAPFRE GROUP companies) receive the remuneration established in their contracts, including fixed salary, incentives with varying amounts linked to results, life and disability insurance, and other general benefits established for the company's personnel. They also receive certain pension complements for the event of retirement, externalized through a life insurance policy. All of these payments are pursuant to the compensation policy established by the Group for its top executives, whether or not they are directors. Executive Directors do not receive remuneration established for External Directors.

In addition, in the year 2015, and in the framework of the compensation policy for directors, expenses have been provided for medium-term incentives and other concepts for the amount of 3,400 thousand euros (300 thousand euros in 2014), an amount which shall be settled, where appropriate, during 2016.

## Grants

In 2015 and 2014 an official grant was received, for preferential contracts (Social Security) and Continuing Education (Fundación Tripartita) attributed entirely to results for the year.

ITEM	GRANT	GRANT
	2015	2014
As at January 1		
Received during the year	6	28
Transferred to results	6	28
As at December 31		

(Figures in €000)

There is no breach of the conditions or contingencies associated to these subsidies.

## Events subsequent to the date of the Balance sheet

Directive 2009/138/EC of the European Parliament and the Council, dated November 25, 2009, on life insurance, the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (hereinafter "The Solvency II Directive"), consolidated most of the European law on private insurance and articulated a conception of the solvency of insurers and reinsurers.

Law 20/2015 on Planning, Monitoring and Solvency of Insurers and Reinsurers, of July 14, which is mandatory for fiscal years beginning on or after January 1, 2016, and the implementing regulations approved by Royal Decree 1060/2015 of November 20, on planning, monitoring and solvency of insurers and reinsurers, transposed into Spanish law, among other things, The Solvency II Directive.

The parent and other obligated companies in the Group are finalizing the transition plan, as set out in the Order ECC/730/2014, of April 29, on temporary measures to facilitate the gradual adaptation to the compulsory regime of the Solvency II Directive from January 1, 2016, as well as the provisions of the resolution of March 25, 2015 of the General Insurance and Pension Fund Division

Measures taken include the adjustments made to supply the quantitative and qualitative information required, and those established for calculating the mandatory solvency in accordance with the risks assumed.

The parent company estimates that the application of the aforementioned regulations will have no significant effect on the Group's financial position and earnings.

There have been no other significant events subsequent to year end.

## 7. Risk management

### GOVERNANCE FRAMEWORK

The regulations of the MAPFRE S.A. Board of Directors and of its delegate bodies include the duties and responsibilities of the MAPFRE governing bodies and its steering committees related to the Risk Management System (Audit Committee and Risks and Compliance Committee).

MAPFRE has adopted a three-lines-of-defense model for risk management which states that:

- Managers of the "first line of defense" assume risks and possess the controls.
- The Internal Control System and the "second line of defense" areas perform independent supervision of the risk management activities conducted by the first line of defense, within the framework of the policies and limits established by the Board of Directors.
- Internal Audit as the "third line of defense" contributes a guarantee independent from the efficiency and suitability of the Internal Control System and other Corporate Governance elements.

Within this framework, MAPFRE presents a structure comprising Areas with activities, in its respective scopes of skill, regarding the independent supervision of the risk accepted.

The defined Areas correspond to:

- The Actuarial Area, responsible for preparing mathematical, actuarial, statistical and financial calculations that allow to determine the rates, the technical provisions and the modeling of risk in which is based the calculation of capital requirements on the insurance companies and that contribute to the achievement of the intended technical result and to achieve the desired solvency levels.
- The Compliance Area, which identifies, measures, tracks and reports on the exposure of the activities performed by the Group to compliance risk.
- Internal Control Area, which is responsible for the internal control system established working properly throughout MAPFRE and that established procedures are followed. Regarding Operational Risk, it is responsible for the definition of the strategies, processes and information necessary to identify, measure, monitor, manage and report continuously the risks to which, at individual and aggregate level, the Group Companies are or may be exposed.

– The Risk Management Area is responsible for:

- Supervising and tracking the effectiveness of the MAPFRE GROUP risk management system.
- Identification and measurement of risk.
- Calculation of solvency margin.
- Tracking and notification of exposure to risks.

– The Safety and Environment Area is responsible for preventing the appearance and mitigate the safety risk that may cause damage to the Group, disturbing, limiting or reducing its productive, financial or business capacity; as well as those that can difficult the fulfillment of its social and environmental commitments, its objectives and business strategy or the established in the existing current regulations.

– Internal Auditing Area which provides an independent evaluation of:

- The suitability, sufficiency and efficacy of elements of the Internal Control System.
- The Risk Management System,
- The suitability and performance of the key duties set out in the governance system provided for in the Solvency II Directive.

The aforementioned structure meets the requirements relating to the management of the risks management system established by the Solvency II Directive.

## OBJECTIVES, POLICIES AND RISK MANAGEMENT PROCESSES

Additionally, MAPFRE establishes the risk level that the Group would be ready to assume to attain its business objectives with no relevant deviations, even in adverse situations. That level, which establishes limits and sub-limits per risk type, configures the MAPFRE GROUP's Risk Appetite.

The MAPFRE GROUP Risk Management System (RMS) is based on the integrated management of each and every business process, and on the adaptation of risk levels to the established strategic objectives.

The main objectives of the Risk Management System are as follows:

To promote a solid culture and an effective system of risk management.

To ensure that risk analysis is part of the decision-making process.

To preserve the solvency and financial soundness of the Group, helping to position it as the most trusted global insurance company.

The different types of risks have been grouped under four areas, or categories, as detailed below:

Operational risks	Includes the risk of loss arising from the inadequacy or malfunction of internal processes, personnel or systems, or arising from external events.
Financial and Credit Risk	Includes interest rate, liquidity, exchange rate, market and credit risk.
Insurance Activity Risks	These groups together, separately for Life and Non-Life, premium shortfalls, adequacy of technical provisions, and reinsurance risks.
Strategic and Corporate Governance Risk	Includes the corporate ethics and corporate governance risks, and risks on organizational structure, alliances, mergers and acquisitions, regulatory and, lastly, competition risks.

## OPERATIONAL RISKS

Identifying and assessing the Operational Risks and Business Processes is undertaken through the Riskm@p software application, which is developed internally by MAPFRE and which aids in the creation of company risk maps. These maps analyze the significance and probability of occurrence of different risks.

Riskm@p is the corporate tool for controlling risks, and is the mechanism used to manage risk self-assessment questionnaires, internal control manuals, inventory controls associated with risks, assessment of their effectiveness and management of corrective measures in place to mitigate or reduce the risks and/or improve the control environment.

The foregoing operational risk management model consists of a process-based dynamic analysis of the company, which enables the managers of each area or department to identify and assess the potential risks and the effectiveness of the related controls affecting the following business and support processes: Product Development, Underwriting, Claims / Benefits, Administrative Management, Marketing Activities, Human Resources, Commissions, Coinsurance / Reinsurance, Technical Provisions, Investments, IT Systems, and Customer Service.

## FINANCIAL AND CREDIT RISK

MAPFRE mitigates its exposure to this type of risk by means of a prudent investment policy, with the portfolio being heavily weighted in top quality fixed-income securities.

In managing investment portfolios, a distinction is made between those seeking to match the obligations arising from insurance contracts and those in which an active management is undertaken and only conditioned by legal regulations and internal risk limitations. In the first, interest rate risks and other price variation risks are minimized, while in the others, a certain degree of market risk is assumed, according to the following:

- In the portfolios that do not cover long term liability commitments, the management variable of the interest rate risk is the modified duration.
- Exposure to exchange rate risk is minimized in the case of insurance liabilities. Exposure to this type of risk may not exceed a fixed percentage of the excess of assets qualified for coverage.
- Investments in shares are subject to a maximum limit of the investment portfolio.
- The risk limitations are established in easily-observable quantitative terms of variables. However, a risk analysis in probabilistic terms is undertaken in accordance with past volatilities and correlations.

With regard to credit risk, MAPFRE's policy is based on maintenance of a prudently diversified portfolio comprised of selected values based on the solvency of the issuer. The fixed-income and equity investments are subject to concentration limits per issuer.

In addition, the Risk Management Policy establishes limits according to the risk profile of the counterparty or investment instrument, and exposure limits in connection with the counterparty's rating. There is also a system for monitoring and notifying of credit risk exposure.

## INSURANCE ACTIVITY RISKS

The organization of MAPFRE, specializing in various business lines, requires a high degree of autonomy in the management of its business, in particular in the underwriting of risks and tariff fixing, as well as the indemnities or provision of services in the case of incident.

The adequacy of premiums is an element of particular importance and its determination is supported by specific software applications.

Processing claim-related benefits and the adequacy of provisions are basic principles of insurance management. Technical provisions are estimated by the actuarial teams of the different companies. These are also subject to review by independent experts in specific cases. The prevalence of the personal injuries business at MAPFRE, with fast settlement of claims, and the insignificance of long-term risks insured, such as asbestos or professional liability, are elements mitigating this kind of risk.

MAPFRE's presence in countries highly likely to be prone to disasters (earthquakes, hurricanes, etc.) calls for special treatment of these types of risk. Companies expose to this type of risks have specialized reports on disaster exposure, usually drawn up by independent experts, which estimate the extent of the losses in the event of a disaster occurring. Underwriting disaster risks is undertaken based on this information and economic capital available to the company that subscribes these. Where appropriate, the equity exposure to these type of risks is mitigated by taking out specific reinsurance coverage. In this connection, it is important to highlight the contribution of MAPFRE RE, which provides the Group with its extensive experience in the disaster risk market. The company annually determines the global disaster capacity that is assigned to each territory, and establishes the maximum underwriting capacities by risk and event. It also has risk retrocession protection programs to cover deviations or increases in disaster claims in different territories.

In relation to reinsurance risk, MAPFRE's policy is to cede business to reinsurers with proven financial capacity (generally with a minimum 'A' or equivalent credit rating by Standard & Poor's, and exceptionally with other reinsurers following an internal analysis that proves the availability of a solvency margin equivalent to the aforementioned rating or by providing suitable guarantees).

## STRATEGIC AND CORPORATE GOVERNANCE RISK

Ethical principles applied to business management has been a permanent feature at MAPFRE and form a part of its Bylaws and of its day-to-day activities. In order to standardize this business culture and to update to legal governance and management transparency requirements, the Board of Directors of MAPFRE S.A., at its meeting on June 24, 2015, approved the MAPFRE GROUP Institutional, Business and Organizational Principles, which replace the previous SISTEMA MAPFRE Good Governance Code, and which constitutes the mandatory minimum framework for all the companies making up MAPFRE and their respective governing bodies.

The strict application of these principles is considered the most efficient way to mitigate this type of risk.

## A) INSURANCE RISK

### 1. SENSITIVITY TO INSURANCE RISK.

This sensitivity analysis measures the effect on capital fluctuations upward and downward of the determinant factors of insurance risk (number of insured risks, the average premium value, frequency and cost of claims). One measure of the sensitivity to the Non-Life insurance risk is the impact that a one percentage point change in the combined ratio would have on result for the period and, consequently, on equity.

The following table shows this effect jointly with the volatility index of the ratio, calculated according to the standard deviation thereof in a five-year time horizon.

ITEM	IMPACT RESULTS OF 1 % VARIATION IN THE COMBINED RATIO		COMBINED RATIO VOLATILITY INDEX	
	2015	2014	2015	2014
<b>Main activity outside Spain</b>				
Reinsurance	15,993	12,182	2.7	2.3

(Figures in €000)

### 2. CONCENTRATIONS OF INSURANCE RISK

MAPFRE has a high degree of insurance risk diversification since it operates in virtually all insurance lines in Spain and has a broad presence in the international markets.

The Group has implemented a system of procedures and limits which allows it to control the level of concentrated insurance risk.

It is standard practice to use reinsurance contracts to mitigate the insurance risk arising from the concentration or accumulation of guarantees exceeding the maximum acceptance levels.

## 2. a) Premiums income per risks

The following table shows the breakdown of accepted reinsurance premiums classified according to the type of business underwritten for the last two years

2015

ITEM	ASSUMED (INWARD) REINSURANCE			TOTAL
	LIFE	NON-LIFE		
		Catastrophe risk	Other risks	
Written premiums from assumed reinsurance	600,645	457,309	2,673,957	3,731,911

(Figures in €000)

2014

ITEM	ASSUMED (INWARD) REINSURANCE			TOTAL
	LIFE	NON-LIFE		
		Catastrophe risk	Other risks	
Written premiums from assumed reinsurance	522,442	501,595	2,319,295	3,343,332

(Figures in €000)

## 2. b) Premium income per operating segments and geographical areas

The following tables show the breakdown of premiums issued accepted reinsurance by operating segment and geographical areas in the last two years:

2015

Geographical area	REINSURANCE		TOTAL
	Life	Non-life	
SPAIN	52,613	561,610	614,223
UNITED STATES OF AMERICA	10,051	555,531	565,582
BRAZIL	5,666	134,416	140,082
MEXICO	20,555	107,503	128,058
VENEZUELA	998	19,195	20,193
COLOMBIA	13,326	82,061	95,387
ARGENTINA	10,037	83,269	93,306
TURKEY	262	130,785	131,047
CHILE	47,913	113,410	161,323
OTHER COUNTRIES	439,224	1,343,486	1,782,710
<b>TOTAL</b>	<b>600,645</b>	<b>3,131,266</b>	<b>3,731,911</b>

(Figures in €000)

2014

Geographical area	REINSURANCE		TOTAL
	Life	Non-life	
SPAIN	74,563	608,007	682,570
UNITED STATES OF AMERICA	9,329	261,049	270,378
BRAZIL	12,065	234,179	246,244
MEXICO	18,987	113,360	132,347
VENEZUELA	2,119	55,613	57,732
COLOMBIA	29,782	94,701	124,483
ARGENTINA	11,245	91,297	102,542
TURKEY	394	115,919	116,313
CHILE	7,661	112,123	119,784
OTHER COUNTRIES	356,297	1,134,642	1,490,939
<b>TOTAL</b>	<b>522,442</b>	<b>2,820,890</b>	<b>3,343,332</b>

(Figures in €000)

## 2.c) Premiums income by currencies

The following tables shows the breakdown of premiums issued for assumed reinsurance by currencies in the last two years:

CURRENCY	PREMIUMS WRITTEN	
	2015	2014
Euros	1,345,231	1,365,407
US dollar	1,185,752	834,962
Mexican Peso	81,421	86,307
Brazilian Real	143,540	214,921
Turkish Lira	123,849	111,630
Chilean Peso	152,414	88,368
Venezuelan Bolivar	9,704	47,580
Argentine Peso	37,021	34,095
Colombian Peso	81,384	110,810
Sterling Pound	161,555	113,161
Canadian Dollar	17,259	22,010
Philippine Peso	13,348	8,793
Other Currencies	379,433	305,289
<b>TOTAL</b>	<b>3,731,911</b>	<b>3,343,333</b>

## B) Credit risk

### 1 CREDIT RISK ARISING FROM REINSURANCE CONTRACTS

The following table shows the breakdown of credits against reinsurers in the last two years:

ITEM	COMPANIES BOOK VALUE				TOTAL	
	GROUP		NON-GROUP		2015	2014
	2015	2014	2015	2014		
Provisions for life insurance	40	-	15,435	14,609	15,475	14,609
Provision for outstanding claims	69,716	44,805	314,892	348,672	384,608	393,477
Receivables on ceded and retroceded reinsurance operations	12,423	7,638	128,725	70,308	141,148	77,946
Due on ceded and retroceded reinsurance operations	(17,301)	(16,468)	(63,310)	(71,322)	(80,611)	(87,790)
<b>TOTAL NET POSITION</b>	<b>64,878</b>	<b>35,975</b>	<b>395,742</b>	<b>362,267</b>	<b>460,620</b>	<b>398,242</b>

(Figures in €000)

The following table shows the breakdown of credits against reinsurers based on the financial solvency margin:

Credit rating of reinsurers	BOOK VALUE					
	COMPANIES				TOTAL	
	GROUP		NON-GROUP		2015	2014
2015	2014	2015	2014			
AAA	-	-	-	-	-	-
AA	-	-	230,269	211,589	230,269	211,589
A	64,709	40,272	127,419	129,926	192,128	170,198
BBB	169	(4,297)	37,720	20,266	37,889	15,969
BB OR LOWER	-	-	826	889	826	889
NOT RATED	-	-	(492)	(403)	(492)	(403)
<b>TOTAL</b>	<b>64,878</b>	<b>35,975</b>	<b>395,742</b>	<b>362,267</b>	<b>460,620</b>	<b>398,242</b>

(Figures in €000)

### 2 CREDIT RISKS ARISING FROM OTHER FINANCIAL INSTRUMENTS

The breakdown of the portfolio of fixed income securities and treasury, based on the credit rating of issuers of fixed income securities and financial institutions for the last two years is shown below:

Credit rating of issuers	BOOK VALUE							
	HELD-TO-MATURITY PORTFOLIO		AVAILABLE-FOR-SALE PORTFOLIO		TRADING PORTFOLIO		LIQUID ASSETS	
	2015	2014	2015	2014	2015	2014	2015	2014
AAA	-	-	592,229	640,917	-	-	-	6,196
AA	-	-	910,525	929,875	-	-	504	1,290
A	-	-	520,856	497,936	-	-	68,619	81,770
BBB	-	-	654,808	672,007	-	-	38,342	9,921
BB OR LOWER	-	-	143,316	75,879	-	-	22,286	14,110
No credit rating	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>2,821,734</b>	<b>2,816,614</b>	<b>-</b>	<b>-</b>	<b>129,751</b>	<b>113,287</b>

(Figures in €000)



There are no fixed income securities in default for years 2015 and 2014.

### 3. CREDITS

The following table shows the breakdown of the credit heading as at December 31, 2015 and 2014; as well as impairment losses, gains on its reversals registered and received amounts for guarantees in the last two years:

ITEM	NET BALANCE ON BALANCE SHEET		IMPAIRMENT				COLLATERAL HELD	
	2015	2014	RECORDED LOSSES		REVERSAL GAINS		2015	2014
			2015	2014	2015	2014		
I. Credits on reinsurance operations	451,496	304,008	(6,113)	(2,682)	-	-	-	-
II. Tax credits	8,938	15,643	-	-	-	-	-	-
III. Corporate and other credits	3,249	15,340	-	-	-	-	-	-
<b>TOTAL</b>	<b>463,683</b>	<b>334,991</b>	<b>(6,113)</b>	<b>(2,682)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(Figures in €000)

#### c) Liquidity risk

With respect to liquidity risk, MAPFRE has a Liquidity Risk Management Policy and an Asset and Liability Management Policy, which together comprise the benchmark framework for acting in this regard. In MAPFRE, the general practice is based on maintaining cash balances sufficient to comfortably cover the commitments arising from its obligations to insured parties and creditors. Thus, as at December 31, 2015, the cash and cash equivalent balance amounted to 129.8 million euros (113.3 million euros in the preceding year), equivalent to 3.91 percent (3.48 percent in 2014) of total financial investments and cash. For Life and Savings insurance, the criteria applied consists of matching the maturities of investments with obligations entered into under the terms of insurance contracts in order to mitigate the long-term liquidity risk. In addition, most fixed income investments have an investment grade and are negotiable on organized markets, which gives a great capacity to act against potential liquidity strains.

Assets with maturity exceeding one year are detailed in the "Interest rate risk" section.

## 1 LIQUIDITY RISK ARISING FROM INSURANCE CONTRACTS

The estimated maturities schedule of insurance liabilities is detailed below, recorded as at December 31, 2015 and 2014, non-updated amounts in the case of Life insurance provisions:

### 2015

ITEM	ESTIMATED CASH OUTFLOWS IN DIFFERENT YEARS							CLOSING BALANCE
	1st Year	2nd year	3rd. Year	4th year	5th year	6th to 10th Years	Subsequent years	
Provision for unearned premiums	1,044,002	120,863	30,694	21,287	16,221	27,371	8,019	1,268,457
Provision for risks in progress	-	-	-	-	-	-	-	-
Provisions for life insurance	245,638	35,452	21,428	16,526	17,276	64,808	73,054	474,182
Provision for outstanding claims	960,081	411,209	129,144	53,524	41,106	130,281	56,931	1,782,276
Other technical provisions	-	-	-	-	-	-	-	-
Due on reinsurance operations	290,467	-	-	-	-	-	-	290,467
<b>TOTAL</b>	<b>2,431,093</b>	<b>567,524</b>	<b>181,266</b>	<b>91,337</b>	<b>74,603</b>	<b>222,460</b>	<b>138,004</b>	<b>3,647,408</b>

(Figures in €000)

### 2014

ITEM	ESTIMATED CASH OUTFLOWS IN DIFFERENT YEARS							CLOSING BALANCE
	1st Year	2nd year	3rd. Year	4th year	5th year	6th to 10th Years	Subsequent years	
Provision for unearned premiums	956,679	117,512	33,019	21,400	15,459	24,372	7,191	1,175,632
Provision for risks in progress	193,736	26,570	15,432	12,819	13,706	49,255	46,566	358,084
Provisions for life insurance	990,211	420,925	128,808	53,995	41,267	133,502	54,517	1,823,225
Provision for outstanding claims	-	-	-	-	-	-	-	-
Other technical provisions	290,467	-	-	-	-	-	-	290,467
Due on reinsurance operations	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>2,431,093</b>	<b>565,007</b>	<b>177,259</b>	<b>88,214</b>	<b>70,432</b>	<b>207,129</b>	<b>108,274</b>	<b>3,647,408</b>

(Figures in €000)

## d) Market risk

MAPFRE's Investment Area regularly conducts analyses of the sensitivity of the investment portfolio's value to market risk.

Among others, the most usual indicators are modified duration for fixed-income securities, and the VaR, or value at risk, for variable annuities.

## INTEREST RATE RISK

The following table details the significant information of the last two years with regard to the level of risk exposure of the interest rate of financial assets:

Portfolio	AMOUNT OF ASSETS EXPOSED TO INTEREST RATE RISK AT FAIR VALUE							
	FIXED INTEREST RATE(*)		VARIABLE INTEREST RATE		NOT EXPOSED TO RISK		TOTAL	
	2015	2014	2015	2014	2015	2014	2015	2014
Held-to-maturity	-	-	-	-	-	-	-	-
Available-for-sale	2,820,288	2,755,473	137,891	160,958	192,596	182,047	3,150,775	3,098,478
Trading	3,613	18,406	24,922	20,696	9,930	950	38,465	40,052
Other investments	7,692	36,867	-	-	465	465	8,157	37,332
<b>TOTAL</b>	<b>2,831,593</b>	<b>2,810,746</b>	<b>162,813</b>	<b>181,654</b>	<b>202,991</b>	<b>183,462</b>	<b>3,197,397</b>	<b>3,175,862</b>

(Figures in €000)

(\*) Exposed to variations on the fixed interest rate

The following tables display the breakdown for years 2015 and 2014, of financial investment by maturity, average interest rate and modified duration:

#### December 31, 2015

ITEM	CLOSING BALANCE	MATURITY OF:						INTEREST RATE %	MODIFIED DURATION %
		1 Year	2 Year	3 Year	4 Year	5 Year	Subsequent years or no fixed maturity		
<b>AVAILABLE-FOR-SALE PORTFOLIO</b>									
Fixed income	2,821,734	239,372	368,507	319,083	524,170	352,975	1,017,626	2.14%	4.39%
Other investments	329,041	-	-	-	-	-	329,041	-	-
<b>TOTAL AVAILABLE-FOR-SALE PORTFOLIO</b>	<b>3,150,775</b>	<b>239,372</b>	<b>368,507</b>	<b>319,083</b>	<b>524,170</b>	<b>352,975</b>	<b>1,343,667</b>		
<b>TRADING PORTFOLIO</b>									
Other	38,465	-	-	-	-	-	38,465	8.12%	-
<b>TOTAL TRADING PORTFOLIO</b>	<b>38,465</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>38,465</b>		

(Figures in €000)

#### December 31, 2014

ITEM	CLOSING BALANCE	MATURITY OF:						INTEREST RATE %	MODIFIED DURATION %
		1 Year	2 Year	3 Year	4 Year	5 Year	Subsequent years or no fixed maturity		
<b>AVAILABLE-FOR-SALE PORTFOLIO</b>									
Fixed income	2,816,614	256,021	288,061	438,550	318,476	465,050	1,050,456	3.24%	4.52%
Other investments	281,864	-	-	-	-	-	281,864	-	-
<b>TOTAL AVAILABLE-FOR-SALE PORTFOLIO</b>	<b>3,098,478</b>	<b>256,021</b>	<b>288,061</b>	<b>438,550</b>	<b>318,476</b>	<b>465,050</b>	<b>1,332,320</b>		
<b>TRADING PORTFOLIO</b>									
Other	40,052	-	-	-	-	-	40,052	6.36%	-
<b>TOTAL TRADING PORTFOLIO</b>	<b>40,052</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40,052</b>		

(Figures in €000)

The modified duration shows the sensitivity of the value of the assets to interest rate changes and indicates the approximate percentage change in the value of financial assets that would occur for each percentage point (100 bp) change in interest rates.

The balances included in the "Credits" heading of the balance sheet asset, and in the "Debt" heading of the balance sheet liability do not accrue interests and, generally, their liquidation is produced in the following year.

## EXCHANGE RATES RISK

The following table details the breakdown of assets and liabilities regarding the currencies in which they are recorded at the end of the last two years.

CURRENCY	ASSETS		LIABILITIES		TOTAL NET	
	2015	2014	2015	2014	2015	2014
Euros	2,776,394	2,911,460	1,723,027	1,658,365	1,053,366	1,253,095
US dollar	1,457,517	966,195	1,036,734	693,188	420,783	273,007
Mexican Peso	21,878	29,758	54,277	66,859	(32,399)	(37,101)
Brazilian Real	203,244	329,555	182,820	315,619	20,425	13,936
Turkish Lira	46,295	46,924	92,522	85,646	(46,226)	(38,722)
Chilean Peso	178,185	172,377	221,488	197,338	(43,304)	(24,961)
Venezuelan Bolivar	-	30,616	196	19,185	(196)	11,431
Argentine Peso	39,992	36,838	23,920	30,230	16,072	6,608
Colombian Peso	28,946	30,628	130,458	120,238	(101,513)	(89,610)
Sterling Pound	151,803	112,443	131,511	123,173	20,293	(10,731)
Canadian Dollar	38,048	37,613	14,113	17,734	23,935	19,880
Philippine Peso	8,080	5,400	15,738	18,117	(7,658)	(12,717)
Other Currencies	356,605	307,123	506,013	492,048	(149,408)	(184,925)
<b>TOTAL</b>	<b>5,306,987</b>	<b>5,016,930</b>	<b>4,132,817</b>	<b>3,837,740</b>	<b>1,174,170</b>	<b>1,179,190</b>

(Figures in €000)

The sensitivity of the Group's equity to changes in euro exchange rates against the different currencies in which assets are stated is determined by the net total amount shown in the previous table, having deducted the amount for the non-monetary items. Similarly, the effect of these exchange rate variations on the Group's future results is determined by the volume of earnings obtained in each currency. Appendix 1 provides a breakdown of the Earnings obtained by each Group company and the country where its operations are located.

## STOCK MARKET RISK

The following table shows the book value of equity values and Mutual Funds exposed to stock market risk and VaR or value at risk (maximum variation expected in a time horizon of one year and a confidence level of 99 percent) for the last two years:

PORTFOLIO	BOOK VALUE		VaR	
	2015	2014	2015	2014
Available-for-sale	192,596	182,047	39	24
Trading	13,543	19,356	-	-
<b>TOTAL</b>	<b>206,139</b>	<b>201,403</b>	<b>39</b>	<b>24</b>

(Figures in €000)

## PROPERTY RISK

In its consolidated group, MAPFRE RE has property assets representing approximately 0.37 percent of total investments and cash, of which approximately 0.23 percent corresponds to its own offices. This property serves the dual function of being administrative and sales support, as well as generating investment income and diversifying investments. The

following table displays the breakdown of these property assets:

ITEM	NET BOOK VALUE		MARKET VALUE	
	2015	2014	2015	2014
Real estate investment	5,152	5,418	6,622	6,742
Property for own use	7,381	8,861	9,078	9,963
<b>TOTAL</b>	<b>12,533</b>	<b>14,279</b>	<b>15,700</b>	<b>16,705</b>

(Figures in €000)

Unrealized gains would offset a fall in the price of properties equivalent to approximately 17 percent of their market value.

## IMPLEMENTATION OF OWN CAPITAL MODELS

In 2005, MAPFRE RE implemented an own capital model determined by a stochastic process, the required solvency margin depending on the risks assumed by the company itself.

The own capital model is based on the stochastic generation of projections of the company's fair value gains or losses from the simulation of 10,000 different scenarios, applied considering the nature of the premiums portfolio and the composition of the company's investments and other assets; these scenarios are obtained by combining various financial and reinsurance business hypotheses. From this, the probability distribution of Earnings is determined, and the economic capital required to ensure the company's solvency with a confidence interval of 99.6 percent in a time horizon of one year. Interim results obtained confirm the level of excellence in the capitalization of the company and are currently being contrasted with other methods for estimating solvency margins.

## 8. OTHER INFORMATION

At the close of the year there had not been any conflicts of interest, either direct or indirect, between the directors and the controlling company.

### 8.2 EXTERNAL AUDITORS' FEES

The annual accounts of the controlling company and of Group companies for the year 2015 have been audited by the firm KPMG

Fees accrued by the auditor (KPMG in 2015 and Ernst & Young in 2014) are shown below. Neither of these payments is deemed to compromise the independence of the auditors.

ITEM	AMOUNTS	
	2015	2014
Audit services	187,127	229,113
Verification services	26,634	16,896
Tax services	140,062	5,197
Other additional Services	3,721	550
<b>TOTAL SERVICES OF MAIN AUDITOR</b>	<b>357,544</b>	<b>251,756</b>

(Figures in €000)

### 8.3 ENVIRONMENTAL INFORMATION

The Group companies do not have any environmental-related item in the last two financial years that might be significant or specifically included in these consolidated annual accounts.

### 8.4 DEFERRED PAYMENTS

Details of the payments made by the Group's fully consolidated Spanish companies to providers in the last two years are shown below:

	2015	2014
	Days	Days
Average provider payment period	8.42	8.71
Ratio of paid operations	8.50	8.49
Ratio of operations pending payment	4.42	52.53

	Amount	Amount
Total payments made	23,792	19,081
Total pending payments	463	97

The amounts for 2014 have been adapted to the 2015 disclosure requirements for comparison purposes.

### 8.5 OTHER ISSUES

In late 2009, the Board of the National Competition Commission sanctioned MAPFRE EMPRESAS (currently MAPFRE GLOBAL RISKS) and MAPFRE RE, jointly with two other insurance companies and three reinsurance companies

for alleged restrictive practices of competition. The penalty consisted of substantial fines corresponding to MAPFRE companies, jointly and severally, the sum of 21,632,000 euros.

Considering the origin of the ratings contained in the resolution unlawful, and therefore the penalties imposed, an administrative appeal against that decision was submitted to the National Audience and the suspension of payment of the fine was obtained following the submittal of the corresponding guarantee.

In 2014 the National Audience delivered a judgment which fully considered the lawsuit filed by MAPFRE RE and MAPFRE GLOBAL RISKS, annulling the decision of the National Competition Commission. The State attorney subsequently presented an appeal against the judgment passed. MAPFRE RE and MAPFRE GLOBAL RISKS attended the Supreme Court and opposed the appeal filed by the State Attorney.

In 2015 the Supreme Court passed a judgment which entirely dismissed the appeal brought by the State Attorney and sentenced the Administration to bear the costs, so that the penalty imposed on MAPFRE was finally annulled by the decennial insurance by the National Competition Commission.

### 8.6 ADDITIONAL NOTE FOR THE ENGLISH TRANSLATION

These financial statements are presented by applying the International Reporting Standards adopted by the European Union (IFRS-EU). Consequently, certain accounting principles applied by the Company may not conform to generally accepted accounting principles in other countries.

In addition, this document is a free translation of the consolidated accounts originally issued in Spanish. In the event of any discrepancy, the Spanish language version prevails.



## CHART OF SUBSIDIARIES AND ASSOCIATED COMPANIES 2015 (APPENDIX 1)

NAME	COUNTRY	EFFECTIVE TAX RATE	ACTIVITY
CIAR INVESTMENTS	45 , Rue de Trèves Brussels (Belgium)	34%	Real Estate
MAPFRE CHILE REASEGUROS S.A.	Avda Apoquindo 4499-8º Santiago de Chile (Chile)	20%	Holding
F. ALCORTA S.A.	Boucharde 547 piso 14 Buenos Aires (Argentina)	35%	Property (in liquidation)
MAPFRE RE DO BRASIL COMPANHIA DE REASEGUROS	Rua Olimpíadas 242 5º Andar Sao Sao Paulo, Brazil	15%	Reinsurance
MAPFRE RE COMPANHIA DE REASEGUROS ESCRITORIO DE REPRESENTAÇÃO NO BRASIL LTDA	Rua Olimpíadas 242 5º Andar Sao Sao Paulo, Brazil	15%	Representation services
MAPFRE MANDATOS Y SERVICIOS S.A.	Boucharde 547 piso 14 Buenos Aires (Argentina)	35%	Services
MAPFRE INTERNET S.A. (TECH)	Ctra de Pozuelo a Majadahonda, No. 52, Madrid, Spain	28%	Computing
MAPFRE INFORMATICA, A.I.E.	Ctra de Pozuelo a Majadahonda, No. 52, Madrid, Spain	30%	Computing
VEASISTENCIA C.A.	Avda. Libertador Penthouse A y B Caracas (Venezuela)	34%	Travel assistance
REINSURANCE MANAGEMENT INC.	100 Campus Drive 07932 New Jersey (USA)	35%	Insurance and Reinsurance
CAJA REASEGURADORA DE CHILE	Ava. Apoquindo 4499-8º Santiago de Chile (Chile)	20%	Reinsurance
INMOBILIARIA COSTA DE MONTEMAR, S.A.	Ava. Apoquindo 4499-8º Santiago de Chile (Chile)	23%	Real Estate
C R ARGENTINA S.A	Boucharde 547 piso 14 Buenos Aires (Argentina)	35%	Services, Consulting

(Figures in €000)

## CHART OF SUBSIDIARIES AND ASSOCIATED COMPANIES 2014 (APPENDIX 1)

NAME	COUNTRY	EFFECTIVE TAX RATE	ACTIVITY
CIAR INVESTMENTS	45 , Rue de Trèves BrusSels (Belgium)	34%	Real Estate
MAPFRE CHILE REASEGUROS S.A.	Avda Apoquindo 4499-8º Santiago de Chile (Chile)	20%	Holding
F. ALCORTA S.A.	Boucharde 547 piso 14 Buenos Aires (Argentina)	35%	Property (in liquidation)
ITSEMAP SERVICIOS TECNOLOGICOS MAPFRE S.A.	Barbara de Braganza, 14, Madrid, Spain	30%	Consultancy
MAPFRE RE DO BRASIL COMPANHIA DE REASEGUROS	Rua Olimpíadas 242 5º Andar Sao Sao Paulo, Brazil	15%	Reinsurance
MAPFRE RE COMPANHIA DE REASEGUROS ESCRITORIO DE REPRESENTAÇÃO NO BRASIL LTDA	Rua Olimpíadas 242 5º Andar Sao Sao Paulo, Brazil	15%	Representation services
MAPFRE MANDATOS Y SERVICIOS S.A.	Boucharde 547 piso 14 Buenos Aires (Argentina)	35%	Services
MAPFRE INTERNET S.A. (TECH)	Ctra de Pozuelo a Majadahonda, No. 52, Madrid, Spain	30%	Computing
VEASISTENCIA C.A.	Avda. Libertador Penthouse A y B Caracas (Venezuela)	34%	Travel assistance
REINSURANCE MANAGEMENT INC.	100 Campus Drive 07932 New Jersey (USA)	35%	Insurance and Reinsurance
ITSEMAP BRASIL SERVICIOS TECNOLÓGICOS MAPFRE LTDA	Rua Sao Carlos Do Pinhal, 696 3rd. Andar, Sao Paulo, Brazil	31%	Consultancy
ITSEMAP CHILE SERVICIOS TECNOLÓGICOS MAPFRE LTDA	Ava. Apoquindo, 4499-8th, Santiago, Chile (Chile)	20%	Consultancy
CAJA REASEGURADORA DE CHILE	Ava. Apoquindo 4499-8º Santiago de Chile (Chile)	20%	Reinsurance
INMOBILIARIA COSTA DE MONTEMAR, S.A.	Ava. Apoquindo 4499-8º Santiago de Chile (Chile)	20%	Real Estate
INMOBILIARIA TIRILLUCA, S.A.	Ava. Apoquindo 4499-8º Santiago de Chile (Chile)	20%	Real Estate
C R ARGENTINA S.A	Boucharde 547 piso 14 Buenos Aires (Argentina)	35%	Services, Consulting

(Figures in €000)

### Consolidation method or procedure

- A. Subsidiaries consolidated by global integration
- B. Associated participating companies consolidated by the equity method
- C. Participating and associated companies excluded from consolidation

Holder	SHAREHOLDING %		CLOSING DATA YEAR 2014				Consolidation method or procedure
	In share capital	Assets	Equity	Revenue	Result for the period		
MAPFRE RE	99,9900%	9.645	8.583	496	(32)	A	
MAPFRE INTERNACIONAL	0,0100%						
MAPFRE RE	100,0000%	146.887	42.419	49.812	871	A	
MAPFRE RE	99,9985%	-	-	-	-	C	
MAPFRE RE	99,9999%	162.703	34.609	68.162	6.874	A	
MAPFRE RE	99,9999%	47	47	-	-	C	
MAPFRE RE	95,0000%	20	20	-	(4)	C	
MAPFRE ARGENTINA	5,0000%						
MAPFRE RE	1,0000%	68.190	2.266	239.880	-	C	
MAPFRE RE	1,0000%					C	
MAPFRE RE	0,0020%	1.445	525	858	(386)	C	
MAPFRE RE	100,0000%	1.030	19	-	-	A	
M. Chile Re	99,8467%	113.019	12.757	38.195	182	A	
M. Chile Re	31,4400%	4.959	3.802	-	-	B	
M. Chile Re	99,9960%	71	54	-	-	A	

Holder	SHAREHOLDING %		CLOSING DATA YEAR 2014				Consolidation method or procedure
	In share capital	Assets	Equity	Revenue	Result for the period		
MAPFRE RE	99,9900%	9.713	8.617	493	74	A	
MAPFRE INTERNACIONAL	0,0100%						
MAPFRE RE	99,9932%	139.877	44.849	21.194	1.191	A	
MAPFRE RE	99,9985%	-	-	-	-	C	
MAPFRE RE	39,9752%	2.200	2.054	2.146	991	B	
MAPFRE RE	99,9999%	202.255	40.997	121.008	6.228	A	
MAPFRE RE	99,9999%	47	47	-	-	B	
MAPFRE RE	95,0000%	36	36	-	-	B	
MAPFRE ARGENTINA	5,0000%						
MAPFRE RE	1,0000%	68.190	2.266	239.880	-	A	
MAPFRE RE	0,0020%	12.869	3.938	5.676	1.634	A	
MAPFRE RE	100,0000%	888	17	-	-	A	
Itsemap S.T.M.	99,9792%	-	-	923	11	C	
MAPFRE RE BRASIL	0,0208%						
Itsemap S.T.M.	75,0000%	39	39	1		C	
M. Chile Re	25,0000%						
M. Chile Re	99,8467%	100.596	13.598	17.896	786	A	
M. Chile Re	31,4400%	20.043	20.021	88	(835)	B	
M. Chile Re	43,7500%	-	-	-	-	C	
M. Chile Re	99,9960%	71	54	-	-	A	





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Audit report  
for the Annual  
Consolidated  
Financial  
Statements 2015





KPMG Auditores S.L.  
Edificio Torre Cristal  
Pº de la Castellana, 259 C  
28046 Madrid

## **Independent Auditor's Report on the Consolidated Annual Accounts**

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

To the Shareholders of  
Mapfre Re, Compañía de Reaseguros, S.A.

### **Report on the Consolidated Annual Accounts**

We have audited the accompanying consolidated annual accounts of Mapfre Re, Compañía de Reaseguros, S.A. (the Company) and its subsidiaries (the Group), which comprise the consolidated balance sheet at 31 December 2015 and the consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

#### *Directors' Responsibility for the Consolidated Annual Accounts*

The Company Directors are responsible for the preparation of the accompanying consolidated annual accounts in such a way that they give a true and fair view of the consolidated equity, consolidated financial position and consolidated financial performance of Mapfre Re, Compañía de Reaseguros, S.A. and subsidiaries in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU), and other provisions of the financial reporting framework applicable to the Group in Spain and for such internal control that they determine is necessary to enable the preparation of consolidated annual accounts 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 annual accounts based on our audit. We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. This legislation requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated annual accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company Directors' preparation of the consolidated annual accounts 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 reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated annual accounts taken as a whole.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the accompanying consolidated annual accounts give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of Mapfre Re, Compañía de Reaseguros, S.A. and subsidiaries at 31 December 2015 and of their financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and other provisions of the financial reporting framework applicable in Spain.

**Report on Other Legal and Regulatory Requirements**

The accompanying consolidated directors' report for 2015 contains such explanations as the Directors consider relevant to the situation of the Group, its business performance and other matters, and is not an integral part of the consolidated annual accounts. We have verified that the accounting information contained therein is consistent with that disclosed in the consolidated annual accounts for 2015. Our work as auditors is limited to the verification of the consolidated directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of Mapfre Re, Compañía de Reaseguros, S.A. and subsidiaries.

KPMG Auditores, S.L.

*(Signed on the original in Spanish)*

Antonio Lechuga Campillo

17 March 2016

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# Individual management report



MAPFRE RE has registered an increase in underwritten premiums and revenue, a positive result and equity in line with the earnings of the previous year.

Due to a lack of significant catastrophes, the reinsurance market has obtained positive, but declining earnings, in an environment of very little growth in most developed economies.

The non occurrence of relevant catastrophes over the last four years has resulted in strong competition in terms of rates and conditions, as well as the entrance of new capital into the market, which has reduced the technical margin of insurers and has propitiated greater retention by the large insurance groups by means of global management of their reinsurance programs. This market situation has favored the consolidation of several operators, by means of mergers or acquisitions, searching for greater scale and business diversification.

## BUSINESS PERFORMANCE

### Profit and Loss account

– Gross written premiums amounted to EUR 3,646.4 billion, a 12.2 % increase on the previous year. Net written premiums reached EUR 2,431.9 billion, up 13.8 % on the previous year.

– The combined ratio for Life and Non-Life business was 97.9 %, including a loss ratio of 69.0 %, charges and other acquisition and management expenses amounting to 28.9 %.

– The underwriting result stands at EUR 46.3 million. Net financial income amounted to EUR 148.8 million.

– The result of the profit and loss account before tax and minority interests was EUR 195.3 million, earnings in line with those recorded in the previous year, 190.9 million euros. Net profit after taxes and minority interests amounted to EUR 146.8 million, surpassing the previous years' figure of EUR 135.1 million.

### Balance sheet

– Shareholders' equity stands at EUR 1,141.4 billion.

– Net technical provisions reach EUR 2,704.7 billion and represent 114.4 % of retained premiums.

– Financial investment total EUR 3,123.4 billion, which is broken down into financial assets held for trading amounting to EUR 25.7 million, Available for sale financial assets amounting to EUR 2,921.5 billion, deposits with credit institutions amounting to EUR 122.6 million and holdings in group companies affiliated with the group amounting to EUR 53.6 million.

– Shareholders' equity stands at EUR 5,080.9 billion.

## KEY ACTIVITIES

### Business activity

Both central services and the offices undertook intense activity in all markets together with the clients and brokers.

The new branch in Labuan, which enables MAPFRE to work in the Malaysian market, was set up in 2015. Since November, the Singapore new branch has been authorized and it is operational. The application for opening a representation office in China was authorized on December 28, 2015, which is the step prior to requesting the opening of a branch in that country following the waiting period required by the regulator. The aim is to have closer contact with clients in the growing Asian market.

During the year, focused on the individual lines, MAPFRE RE participated as a speaker at different sector-specific seminars and conferences held in Spain, Colombia, Chile and Mexico; and training courses were given to clients in Turkey, Chile, Argentina, Mexico and Venezuela.

In relation to the agriculture risks line, training days and experience exchanges were held with technicians from TARSIM (Turkey) and underwriting and claims management training took place in Colombia.

The Reinsurance Forum was held in Madrid, with the participation of 18 guests from 14 countries; and different executives from the company took part in sector conferences, including the Pacific Insurance Conference (PIC), held in Manila, ALASA (Colombia) and *Congreso de Biomedicina de Seguros* (Spain), some of which were sponsored by the company.

## Technical management and client services

Because of highly complex new legal requirements and the opening of new offices, the company's personnel has been reinforced with highly qualified professionals, in both central services and in the offices, continuing with the strong investment in training to professionally develop the team. Specific training has been offered to the management centers in Madrid, Milan, Paris and Bogota on administrative support of the Individual lines. Moreover, company personnel have participated in the training programs offered by the Group, specifically one in the Executive Development Program, three in the Avanza Program and eight in the Global Management Program.

In addition to the constant improvement of the IT processes applied to the business, internal work has been continued to apply the Solvency II legislation, which will come into force in 2016; furthermore, MAPFRE RE has adopted and approved a series of corporate policies and rules regarding the faithful compliance with Solvency II. Appropriate contact and participation is maintained with the *European Insurance Chief Financial Officers Forum*.

MAPFRE RE has continued its collaboration with Fundación MAPFRE and has participated as a speaker at the Insurance and New Technologies conference and Big Data in Health seminar.

## IT systems

Adaptations have been made to the systems to manage business from the new branches and the new portal has been set up on the Internet, within the project "*Marco Global de Internet*".

The model has been built for managing the counterparty risk, which enables a global tracking of MAPFRE's exposure

and developing a homogenous and integrated reinsurance policy. Furthermore, the integration of the entire MAPFRE RE infrastructure has been completed in the corporate Data Processing Center in Alcalá de Henares.

Substantial improvements have been incorporated in personal reinsurance management, in both the analysis of portfolio risks and claims. Improvements have also been made to the catastrophic accumulation model and retroceded business management model, as well as to the automation of the weekly closure processes.

## SUBSIDIARIES AND AFFILIATES

MAPFRE RE DO BRASIL generated revenue of EUR 57.9 million, result before tax of EUR 10.7 million, leaving equity at EUR 34.6 million at the end of the year, all within a very competitive market.

INVERSIONES IBÉRICAS and MAPFRE CHILE REASEGUROS have obtained revenues of EUR 49.0 million and result before tax of EUR 1.1 million euros, closing out the year with an equity of EUR 42.4 million.

## OUTLOOK

A moderate recovery in growth is expected within the most developed economies, a slight uptick in interest rates and maintenance of the liquidity flows provided by the central banks to stimulate the economy.

Reinsurance companies must keep focused on obtaining positive technical results - very abated in recent years - which will lead to the search for greater portfolio diversification. Market consolidation processes will be kept active by means of acquisitions and mergers with the aim of reaching size, cost saving and capital.

The best placed companies will be those that pay attention to the needs of their clients, and which have diversified portfolios with the ability to generate sufficient and balanced earnings.

## SUBSEQUENT EVENTS

No significant events that may affect the outlook or the budgets for the current year have occurred until the time of closing of this report.

There have been no subsequent events that may affect the financial statements as of December 31, 2015.

## ADDITIONAL NOTES

### Environmental information

During 2015, the Group initiated actions to comply with the new commitments on the updating of its corporate environmental policy adopted in the previous year, regarding climate change management and preservation of biodiversity, and has focused on transparently displaying its environmental performance both internally and by stakeholders, as well as in strengthening global commitment in this area.

With regard to mitigation and adaptation to climate change, MAPFRE has continued to develop the actions defined in its Strategic Plan for Energy Efficiency and Climate Change, which has the objective of reducing Group emissions by 20 percent by 2020. Also taking into account the importance of the effect of actions related to human activities on biodiversity, MAPFRE has undertaken an internal assessment on those ways in which the Group could contribute to its preservation.

Moreover, the strategic model of environmental and energy management (SIGMAYE) continues its international expansion by obtaining new certifications.

In addition, MAPFRE contributes to environmental protection through its products through proper management of environmental risks in the underwriting processes and technical assistance, incorporating environmental criteria for corporate procurement, and marketing those products that promote environmental protection and resource conservation.

The Group's commitment to the environment and sustainability is evident as signatory to the "Climate Disclosure Project" (CDP) and the "Principles for Sustainable Insurance" of the United Nations, as well as participation as a member of the "Spanish Group for Green Growth" established

by the Ministry of Agriculture, Food and Environment, and by adhering to new initiatives such as the UN declaration in support reduction of risk of disaster and the Barcelona declaration to drive the change of the model toward a low carbon economy and sustainable development.

### Personnel

The staff at year-end providing services in the company maintains the following structure by professional categories:

Category	2015	2014	2013
Directors	47	47	50
Administrative staff	29	29	29
Other	94	81	74
<b>TOTAL</b>	<b>170</b>	<b>157</b>	<b>153</b>

### Investment

With regard to financial investments, MAPFRE RE's policy to mitigate its exposure to such risks is based on a prudent investment policy, which concentrates most of the portfolio in fixed income securities.

With regard to credit risk, MAPFRE RE's policy is based on prudence (issuer's solvency) and diversification of fixed-income investments. Thus, the portfolio of fixed income securities is composed mostly of securities of high credit rating.

For both fixed income investments and equities, diversification criteria are applied by sectors and maximum risk limits per issuer.

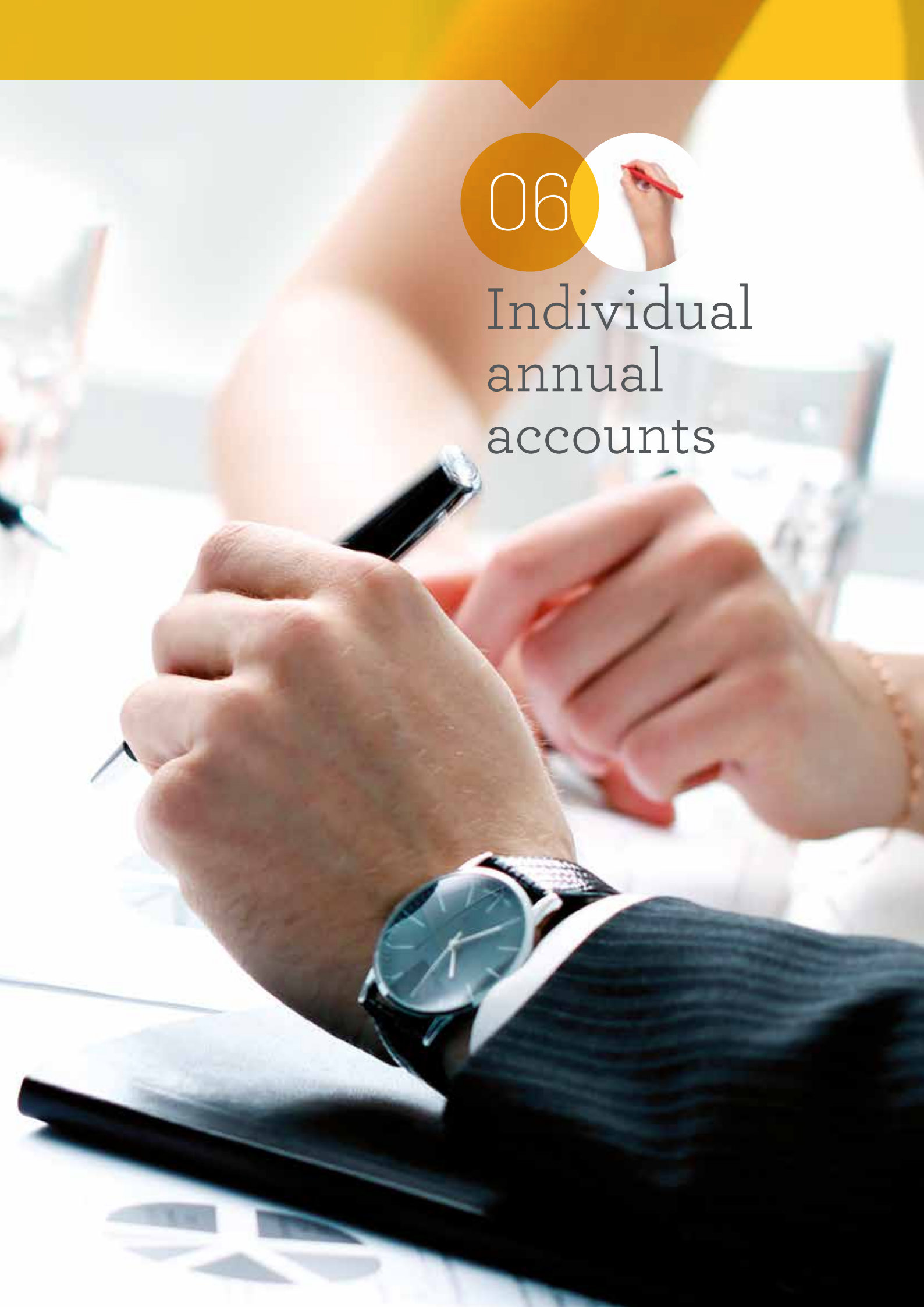




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# Individual annual accounts



## BALANCE SHEET AS AT DECEMBRE 31, 2015 AND 2014

A) ASSETS	Notes in Annual Report	2015	2014
<b>A-1) Cash and cash equivalents</b>	<b>8</b>	<b>122,611</b>	<b>105,772</b>
<b>A-2) Financial assets held for trading</b>	<b>8</b>	<b>25,665</b>	<b>21,560</b>
I. Equity instruments	8	25,665	21,560
II. Debt securities			
III. Derivatives			
IV. Other			
<b>A-3) Other financial assets at fair value with changes in profit and loss</b>	<b>8</b>	<b>84</b>	<b>86</b>
I. Equity instruments	8	84	86
II. Debt securities			
III. Hybrid instruments			
IV. Investments on behalf of life insurance policyholders bearing the investment risk			
V. Other			
<b>A-4) Financial assets available for sale</b>	<b>8</b>	<b>2,921,493</b>	<b>2,877,757</b>
I. Equity instruments	8	329,041	281,864
II. Debt securities	8	2,592,452	2,595,893
III. Investments on behalf of life insurance policyholders bearing the investment risk			
IV. Other			
<b>A-5) Loans and receivables</b>	<b>-</b>	<b>1,083,089</b>	<b>842,270</b>
I. Debt securities	-		-
II. Loans			
1. Advance payment on policies			-
2. Loans to group entities and associated companies			-
3. Loans to other related parties			-
III. Deposits in credit institutions	8	4,210	28,638
IV. Deposits established for accepted reinsurance	8	657,628	536,412
V. Receivables from direct insurance operations			
1. Policyholders			
2. Brokers			
VI. Receivables from reinsurance operations	8	410,191	260,344
VII. Receivables from coinsurance operations			
VIII. Called – in payments			
IX. Other receivables	-	11,060	16,876
1. Receivables from Public Administrations	-	5,889	9,843
2. Other receivables	8	5,171	7,033
<b>A-6) Held-to-Maturity investments</b>			
<b>A-7) Hedging derivatives</b>			
<b>A-8) Participation of reinsurance in technical provisions</b>	<b>10</b>	<b>630,121</b>	<b>649,715</b>
I. Provision for unearned premiums	-	262,125	272,949
II. Provisions for life insurance	-	15,441	14,535
III. Provision for outstanding claims	-	352,555	362,231
IV. Other technical provisions			
<b>A-9) Property, plant and equipment and real estate investment</b>	<b>-</b>	<b>4,359</b>	<b>5,568</b>
I. Property, plant and equipment	5	4,359	5,568
II. Real estate investment			
<b>A-10) Intangible fixed assets</b>	<b>-</b>	<b>1,033</b>	<b>1,499</b>
I. Goodwill			
II. Dividend rights arising from policy portfolios acquired from brokers			
III. Other intangible assets	6	1,033	1,499
<b>A-11) Shares in group, multi-group and associated companies</b>	<b>8 &amp; Annex 1</b>	<b>53,604</b>	<b>54,200</b>
I. Shares in associated companies	8	244	840
II. Shares in multi-group companies			
III. Shares in group companies	8	53,360	53,360
<b>A-12) Tax assets</b>	<b>-</b>	<b>28,951</b>	<b>17,932</b>
I. Current tax assets			
II. Deferred tax assets	11	28,951	17,932
<b>A-13) Other assets</b>	<b>-</b>	<b>209,857</b>	<b>157,593</b>
I. Assets and reimbursement rights for long-term remuneration to staff	-	532	548
II. Advance payment of fees and other acquisition expenses			
III. Accruals	-	209,312	157,037
IV. Other assets	-	13	8
<b>A-14) Assets held for sale</b>			
<b>TOTAL ASSETS</b>	<b>-</b>	<b>5,080,867</b>	<b>4,733,952</b>

(Figures in €000)

A) LIABILITIES	Notes in Annual Report	2015	2014
<b>A-1) Financial liabilities held for trading</b>			
<b>A-2) Other financial liabilities at fair value with changes in profit and loss</b>			
<b>A-3) Debits and payables</b>	-	<b>465,231</b>	<b>315,215</b>
I. Subordinated liabilities			
II. Deposits received from ceded (outward) reinsurance	8	60,323	41,606
III. Due to insurance operations			
1. Payables to insureds			
2. Payables to brokers			
3. Conditioned payables			
IV. Due on reinsurance operations	8	378,029	261,584
V. Due on co-insurance operations			
VI. Debentures and other marketable securities			
VII. Debts with credit institutions			
VIII. Due on insurance contracts preliminary operations			
IX. Other payables:	-	26,879	12,025
1. Payables to public authorities	-	10,403	3,549
2. Other payables to group entities and associated companies	8	11,442	7,028
3. Other payables	8	5,034	1,448
<b>A-4) Hedging derivatives</b>			
<b>A-5) Technical provisions</b>	<b>10 &amp; 21</b>	<b>3,334,854</b>	<b>3,160,763</b>
I. Provision for unearned premiums	-	1,249,675	1,142,719
II. Provision for risks in progress			
III. Provisions for life insurance	-	372,126	269,457
1. Provision for unearned premiums	-	372,126	269,457
2. Provision for risks in progress			
3. Mathematical reserves			
4. Provisions for life insurance when the investment risk is borne by the policyholder			
IV. Provision for outstanding claims	-	1,713,053	1,748,587
V. Provision for bonuses and rebates			
VI. Other technical provisions			
<b>A-6) Non-technical provisions</b>	<b>13</b>	<b>8,998</b>	<b>4,401</b>
I. Provisions for taxes and other legal contingencies			
II. Provision for pensions and similar obligations	13	2,172	1,809
III. Provision for payments of liquidation			
IV. Other non-technical provisions	13	6,826	2,592
<b>A-7) Tax liabilities</b>	<b>-</b>	<b>58,846</b>	<b>66,350</b>
I. Current tax liability			
II. Deferred tax liabilities	11	58,846	66,350
<b>A-8) Other liabilities</b>	<b>-</b>	<b>71,566</b>	<b>49,275</b>
I. Accruals	-	71,560	49,275
II. Liabilities for accounting asymmetries			
III. Fees and other acquisition costs from ceded reinsurance			
IV. Other liabilities		6	-
<b>A-9) Liabilities linked to assets held for sale</b>			
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>3,939,495</b>	<b>3,596,004</b>
B) EQUITY	Notes in Annual Report	2015	2014
<b>B-1) Shareholders' equity</b>	<b>-</b>	<b>1,038,348</b>	<b>983,589</b>
I. Capital or mutual fund	9	223,916	223,916
1. Share registered capital or mutual fund	-	223,916	223,916
2. (Uncalled capital)			
II. Share premium	-	220,565	220,565
III. Reserves	-	161,178	137,251
1. Legal and statutory	9	44,783	44,783
2. Stabilization reserve	-	58,764	34,837
3. Other reserves	-	57,631	57,631
IV. (Own shares)			
V. Results from previous years	-	400,148	381,787
1. Surplus	3	400,412	381,787
2. (Negative results from previous years)		(264)	
VI. Other contributions from shareholders and members			
VII. Result for the period	3	146,757	135,083
VIII. (Interim dividend and interim equalisation reserve)	3 & 9	(114,216)	(115,013)
IX. Other equity instruments			
<b>B-2) Valuation change adjustments:</b>	<b>8</b>	<b>103,024</b>	<b>154,359</b>
I. Financial assets available for sale	-	101,728	153,635
II. Hedging operations			
III. Currency exchange and translation differences	-	1,296	724
IV. Correction of accounting asymmetries			
V. Other adjustments			
<b>B-3) Grants, donations and bequests received</b>	<b>-</b>	<b>1,141,372</b>	<b>1,137,948</b>
<b>TOTAL EQUITY</b>	<b>-</b>	<b>1,141,372</b>	<b>1,137,948</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>-</b>	<b>5,080,867</b>	<b>4,733,952</b>

(Figures in €000)

# INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

I. NON-LIFE TECHNICAL ACCOUNT	Notes in Annual Report	2015	2014
<b>I.1. Premiums written in the financial year , Net Reinsurance</b>	<b>22</b>	<b>1,799,516</b>	<b>1,594,641</b>
a) Earned premiums		3,091,728	2,752,234
a.1) Direct Insurance			
a.2) Assumed reinsurance	21 & 22	3,091,728	2,752,234
a.3) Change in impairment adjustment to outstanding premiums (+ or -)			
b) Premiums from ceded reinsurance (-)	22	(1,174,432)	(1,057,059)
c) Change in provision for unearned premiums and risks in progress (+ or -)	22	(106,956)	(91,770)
c.1) Direct insurance			
c.2) Assumed reinsurance	-	106,956	(91,770)
d) Change in the provision for unearned premiums and ceded reinsurance (+ or -)	-	(10,824)	(8,764)
<b>I.2. Income from property, plant and equipment and investments</b>	<b>-</b>	<b>705,892</b>	<b>387,913</b>
a) Income from real estate investment			
b) Revenue from financial investments	8	667,234	370,547
c) Application of value corrections for impairment of property, plant and equipment and investments			
c.1) From property, plant and equipment and real estate investment			
c.2) From financial investments			
d) Earning from property, plant and equipment and investments	-	38,658	17,366
d.1) From property, plant and equipment and real estate investment			
d.2) From financial investments	8	38,658	17,366
<b>I.3. Other underwriting income</b>			
<b>I.4. Claims ratio for the period, net of reinsurance</b>	<b>-</b>	<b>1,159,718</b>	<b>1,031,259</b>
a) Claims and expenses paid	-	1,127,947	962,900
a.1) Direct Insurance			
a.2) Assumed reinsurance	22	1,799,277	1,426,628
a.3) Ceded reinsurance (-)	22	(671,330)	(463,728)
b) Change in provision for outstanding claims (+ or -)	-	31,679	68,273
b.1) Direct Insurance			
b.2) Assumed reinsurance	22	22,950	65,974
b.3) Ceded reinsurance (-)	22	8,729	2,299
c) Claims-related expenses	-	92	86
<b>I.5. Change in other Technical Provisions, Net of Reinsurance (+ or -)</b>			
<b>I.6. Bonuses and rebates</b>			
a) Claims and expenses for profit sharing and returned premiums			
b) Change in provision for profit sharing and returned premiums (+ or -)			
<b>I.7. Net operating expenses</b>	<b>-</b>	<b>523,892</b>	<b>452,143</b>
a) Acquisition expenses	22	726,659	648,205
b) Administration expenses	22	9,933	6,658
c) Fees and shares in ceded and retroceded reinsurance	22	(212,700)	(202,720)
<b>I.8. Other underwriting expenses (+ or -)</b>	<b>-</b>	<b>6,450</b>	<b>3,258</b>
a) Change in impairment from insolvencies (+ or -)	8	6,113	2,682
b) Change in impairment from fixed assets (+ or -)			
c) Change in payments from claim settlement agreements (+ or -)			
d) Other	-	337	576
<b>I.9. Expenses for property, plant and equipment and investments</b>	<b>-</b>	<b>637,810</b>	<b>325,299</b>
a) Investment management expenses	8	626,280	323,714
a.1) Expenses from property, plant and equipment and real estate investment			
a.2) Expenses for investments and financial accounts	8	626,280	323,714
b) Value corrections for property, plant and equipment and investments	-	545	27
b.1) Amortization of property, plant and equipment and real estate investment	-	27	27
b.2) Impairment of property, plant and equipment and real estate investment		518	
b.3) Impairment of financial investments			
c) Losses from property, plant and equipment and investments	8	10,985	1,558
c.1) From property, plant and equipment and real estate investment			
c.2) From financial investments	8	10,985	1,558
<b>I.10. SUBTOTAL (RESULT FROM NON-LIFE TECHNICAL ACCOUNT)</b>	<b>-</b>	<b>177,538</b>	<b>170,595</b>

(Figures in €000)

II. - LIFE TECHNICAL ACCOUNT	Notes in Annual Report	2015	2014
<b>II.1. Premiums earned to the Period, Net of Reinsurance</b>	<b>22</b>	<b>412,841</b>	<b>368,063</b>
a) Earned premiums	-	554,678	498,773
a.1) Direct Insurance			
a.2) Assumed reinsurance	21 & 22	554,678	498,773
a.3) Change in correction for impairment of uncollected premiums (+ or -)			
b) Premiums from ceded reinsurance (-)	22	(40,074)	(57,634)
c) Change in the provision for unearned premiums and risks in progress (+ or -)	-	(102,669)	(71,020)
c.1) Direct Insurance			
c.2) Assumed reinsurance	22	(102,669)	(71,020)
d) Change in provision for unearned premiums and ceded reinsurance (+ or -)	22	906	(2,056)
<b>II.2. Income from property, plant and equipment and investments</b>	<b>-</b>	<b>173,758</b>	<b>116,027</b>
a) Revenue from real estate investment			
b) Revenue from financial investments	8	164,843	112,992
c) Application of value corrections for impairment of property, plant and equipment and investments			
c.1) From property, plant and equipment and real estate investment			
c.2) From financial investments			
d) Earnings from the sale of property, plant and equipment and investments	-	8,915	3,035
d.1) From property, plant and equipment and property investment			
d.2) From financial investments	8	8,915	3,035
<b>II.3. Income from investments allocated to unit-linked insurance policies</b>			
<b>II.4. Other underwriting income</b>			
<b>II.5. Claims ratio for the period. Net of reinsurance</b>	<b>-</b>	<b>368,085</b>	<b>329,856</b>
a) Claims and expenses paid	-	425,612	287,438
a.1) Direct Insurance			
a.2) Assumed reinsurance	22	441,224	311,094
a.3) Ceded reinsurance (-)	22	(15,612)	(23,656)
b) Change in provision for outstanding claims (+ or -)	-	(57,537)	42,405
b.1) Direct Insurance			
b.2) Assumed reinsurance	22	(58,484)	42,580
b.3) Ceded reinsurance (-)	22	947	(175)
c) Claims-related expenses	-	10	13
<b>II.6. Change in other Technical Provisions, Net of Reinsurance (+ or -)</b>	<b>-</b>	<b>-</b>	<b>1</b>
a) Provisions for life insurance			
a.1) Direct Insurance			
a.2) Assumed reinsurance			
a.3) Ceded reinsurance (-)			
Provisions for life insurance when the investment risk is assumed by the policyholders			
b) Other technical provisions	-	-	1
<b>II.7. Bonuses and rebates</b>			
a) Claims and expenses related to bonuses and rebates			
b) Change in the provision for participation in bonuses and rebates (+ or -)			
<b>II.8. Net operating expenses</b>	<b>-</b>	<b>107,815</b>	<b>92,857</b>
a) Acquisition expenses	22	124,514	121,040
b) Administration expenses	22	1,097	1,032
c) Fees and shares in ceded and retroceded reinsurance	22	(17,796)	(29,215)
<b>II.9. Other underwriting expenses</b>	<b>-</b>	<b>42</b>	<b>72</b>
a) Change in impairment from insolvencies (+ or -)			
b) Change in impairment from property, plant and equipment (+ or -)			
c) Other	-	42	72
<b>II.10. Expenses for property, plant and equipment and investments</b>	<b>-</b>	<b>98,513</b>	<b>50,944</b>
a) Management expenses for property, plant and equipment and investment	8	95,747	50,694
a.1) Expenses for property, plant and equipment and real estate investment			
a.2) Expenses for investments and financial accounts	8	95,747	50,694
b) Value corrections for property, plant and equipment and investments	-	132	4
b.1) Amortization of property, plant and equipment and real estate investment	-	3	4
b.2) Impairment of property, plant and equipment and real estate investment		129	
b.3) Impairment of financial investments			
c) Losses resulting from property, plant and equipment and investments	8	2,634	246
c.1) From property, plant and equipment and real estate investment			
c.2) From financial investments	8	2,634	246
<b>II.11. Expenses from investments allocated to unit-linked in insurance policies</b>			
<b>II.12. SUBTOTAL (RESULTS FROM THE TECHNICAL ACCOUNT OF LIFE INSURANCE)</b>	<b>-</b>	<b>12,144</b>	<b>10,360</b>

(Figures in €000)

INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014 (continued)

III. NON-TECHNICAL ACCOUNT	Notes in Annual Report	2015	2014
<b>III.1. Income from property, plant and equipment and investments</b>	-	<b>27,160</b>	<b>20,854</b>
a) Revenue from real estate investment			
b) Revenue from financial investments	8	22,564	19,574
c) Application of value corrections for impairment of property, plant and equipment and investments			
c.1) From property, plant and equipment and real estate investment			
c.2) From financial investments			
d) Profit from the sale of property, plant and equipment	-	4,596	1,280
d.1) From property, plant and equipment and real estate investment	5	68	7
d.2) From financial investments	8	4,528	1,273
<b>III.2. Expenses for property, plant and equipment and investments</b>	-	<b>18,075</b>	<b>8,366</b>
a) Investment management expenses	8	16,486	8,148
a.1) Expenses from investments and financial accounts	8	16,486	8,148
a.2) Expenses from tangible investments			
b) Value corrections for property, plant and equipment and investments		77	
b.1) Amortization of property, plant and equipment and real estate investment			
b.2) Impairment of property, plant and equipment and real estate investment		77	
b.3) Impairment of financial investments			
c) Losses from property, plant and equipment and investments	-	1,512	218
c.1) From property, plant and equipment and real estate investment	-	78	44
c.2) From financial investments	8	1,434	174
<b>III.3. Other income</b>	-	<b>264</b>	<b>1,438</b>
a) Revenue from pension fund administration			
b) Rest of income	-	264	1,438
<b>III.4. Other expenses</b>	-	<b>3,683</b>	<b>4,026</b>
a) Expenses related to pension fund administration			
b) Other expenses	-	3,683	4,026
<b>III.5. Subtotal (Results from non-technical account)</b>	-	<b>5,666</b>	<b>9,900</b>
<b>III.6. Results before taxes (I.10 + II.12 + III.5)</b>	-	<b>195,348</b>	<b>190,855</b>
<b>III.7. Income tax</b>	11	48,591	55,772
<b>III.8. Results from ongoing operations (III.6 + III.7)</b>	3	146,757	135,083
<b>III.9. Result from discontinued operations, net of tax (+ or -)</b>			
<b>III.10. RESULT FOR THE PERIOD (III.8 + III.9)</b>	-	<b>146,757</b>	<b>135,083</b>

(Figures in €000)

# INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## A) Statements of recognized income and expense

STATEMENT OF RECOGNIZED REVENUE AND EXPENSE	2015	2014
<b>I. RESULT FOR THE YEAR</b>	<b>146,757</b>	<b>135,083</b>
<b>II. OTHER RECOGNIZED INCOME AND EXPENSES</b>	<b>(51,335)</b>	<b>109,639</b>
<b>II.1. Financial assets available for sale</b>	<b>(70,608)</b>	<b>142,184</b>
Valuation gains and losses	(33,338)	162,003
Amounts transferred to the income statement	(37,270)	(19,819)
Other reclassifications		
<b>II.2. Cash flow hedges</b>		
Valuation gains and losses		
Amounts transferred to the income statement		
Amounts transferred to the initial value of hedged items		
Other reclassifications		
<b>II.3. Hedging of net investment in foreign business</b>		
Valuation gains and losses		
Amounts transferred to the income statement		
Other reclassifications		
<b>II.4. Currency conversion and translation differences</b>	<b>695</b>	<b>286</b>
Valuation gains and losses	695	286
Amounts transferred to the income statement		
Other reclassifications		
<b>II.5. Correction of accounting asymmetries</b>		
Valuation gains and losses		
Amounts transferred to the income statement		
Other reclassifications		
<b>II.6. Assets held for sale</b>		
Valuation gains and losses		
Amounts transferred to the income statement		
Other reclassifications		
<b>II.7. Actuarial Gains / (losses) for long-term remuneration to staff</b>		
<b>II.8. Other recognized income and expenses</b>		
<b>II.9. Income tax</b>	<b>18,578</b>	<b>(32,831)</b>
<b>III. TOTAL RECOGNIZED REVENUE AND EXPENSE</b>	<b>95,422</b>	<b>244,722</b>

(Figures in €000)



STATEMENT OF CHANGES IN NET EQUITY FOR THE YEAR ENDED DECEMBER 31, 2015  
AND 2014

B) Full statement of changes in equity

ITEM	CAPITAL OR MUTUAL FUND		SHARE PREMIUM	RESERVES	(SHAREHOLDERS' EQUITY)
	Registered	Uncalled			
<b>C. BALANCE, END OF YEAR 2013</b>	<b>223,916</b>	-	<b>220,565</b>	<b>102,414</b>	-
<b>I. Adjustments for changes in criteria 2013</b>					
<b>II. Correction of errors 2013</b>					
<b>D. RESTATED BALANCE, BEG. OF YEAR 2015</b>	<b>223,916</b>	-	<b>220,565</b>	<b>102,414</b>	-
<b>I. Total recognized income and expenses</b>	-	-	-	-	-
<b>II. Operations with shareholders or members.</b>	-	-	-	-	-
1. Share in capital or mutual fund increases					
2. (-) Share capital or mutual fund reductions					
3. Conversion of financial liabilities into equity (conversion of debentures, cancellations of debt).					
4. (-) Dividend payout or active apportionments (note 3).	-	-	-	-	-
5. Operations with own shares or interests (net).					
6. Equity increase (reduction) arising from a business combination.					
7. Other operations with shareholders or members.					
<b>III. Other changes in equity</b>	-	-	-	<b>34,837</b>	-
1. Payments based on equity instruments.					
2. Transfers between equity items.	-	-	-	-	-
3. Other changes (note 3)	-	-	-	34,837	-
<b>E. BALANCE, END OF YEAR 2015</b>	<b>223,916</b>	-	<b>220,565</b>	<b>137,251</b>	-

ITEM	CAPITAL OR MUTUAL FUND		SHARE PREMIUM	RESERVES	(SHAREHOLDERS' EQUITY)
	Registered	Uncalled			
<b>C. BALANCE, END OF YEAR 2014</b>	<b>223,916</b>	-	<b>220,565</b>	<b>137,251</b>	-
<b>I. Adjustments for changes in criteria 2014</b>					
<b>II. Correction of errors 2014</b>					
<b>D. RESTATED BALANCE BEG., OF YEAR 2015</b>	<b>223,916</b>	-	<b>220,565</b>	<b>137,251</b>	-
<b>I. Total recognized income and expense</b>	-	-	-	-	-
<b>II. Operations with shareholders or members.</b>	-	-	-	-	-
1. Share capital or mutual fund increases.					
2. (-) Share in capital or mutual fund reductions.					
3. Conversion of financial liabilities into equity (conversion of debentures, cancellation of debt).					
4. (-) Dividend payout or active apportionments (note 3).	-	-	-	-	-
5. Operations with own shares or interests (net).					
6. Equity increase (reduction) arising from a business combination.					
7. Other operations with shareholders or members					
<b>III. Other changes in equity</b>	-	-	-	<b>23,927</b>	-
1. Payments based on equity instruments.					
2. Transfers between equity items.	-	-	-	-	-
3. Other changes (note 3)	-	-	-	23,927	-
<b>E. BALANCE, END OF YEAR 2015</b>	<b>223,916</b>	-	<b>220,565</b>	<b>161,178</b>	-

	RESULT FROM PREVIOUS YEARS	OTHER CONTRIBUTIONS FROM PARTNERS	RESULT FOR THE PERIOD	(INTERIM DIVIDEND)	OTHER EQUITY SECURITIES	ADJUSTMENTS FOR CHANGES IN VALUE	GRANTS, DONATIONS AND BEQUESTS RECEIVED	TOTAL
	360,955	-	107,914	(85,955)	-	44,720	-	974,529
	360,955	-	107,914	(85,955)	-	44,720	-	974,529
	-	-	135,083	-	-	109,639	-	244,722
	-	-	-	(80,176)	-	-	-	(80,176)
	-	-	-	(80,176)	-	-	-	(80,176)
	20,832	-	(107,914)	51,118	-	-	-	(1,127)
	20,832	-	(106,787)	85,955	-	-	-	-
	-	-	(1,127)	(34,837)	-	-	-	(1,127)
	381,787	-	135,083	(115,013)	-	154,359	-	1,137,948
	381,787	-	135,083	(115,013)	-	154,359	-	1,137,948
	-	-	146,757	-	-	(51,335)	-	95,422
	(1,444)	-	-	(90,289)	-	-	-	(91,733)
	(1,444)	-	-	(90,289)	-	-	-	(91,733)
	19,805	-	(135,083)	(91,086)	-	-	-	(265)
	20,070	-	(135,083)	115,013	-	-	-	-
	(265)	-	-	(23,927)	-	-	-	(265)
	400,148	-	146,757	(114,216)	-	103,024	-	1,141,372

# CASH FLOW STATEMENT FOR THE PERIOD YEAR ENDED DECEMBER 31, 2015 AND 2014

CASH FLOW STATEMENT	2015	2014
<b>A) CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>A.1.) Insurance activities</b>	<b>86,652</b>	<b>174,036</b>
1. Direct insurance, coinsurance and assumed reinsurance receipts	407,001	553,184
2. Direct insurance, coinsurance and accepted reinsurance payments	(172,911)	(164,244)
3. Ceded reinsurance receipts	94,838	140,611
4. Ceded reinsurance payments	(167,519)	(284,858)
5. Claims recovery		
6. Payment of remuneration for brokers		
7. Other operating receipts		
8. Other operating payments	(74,757)	(70,657)
9. Total cash receipts from insurance activities (1+3+5+7) = I	501,839	693,795
10. Total cash payments from insurance activities (2+4+6+8) = II	(415,187)	(519,759)
<b>A.2.) Other operating activities</b>	<b>(31,957)</b>	<b>(45,163)</b>
1. Receipts from pension funds management activities		
2. Payments related to pension funds management activities		
3. Receipts from other activities		
4. Payments from other activities		
5. Total cash receipts from other operating activities (1+3) = III		
6. Total cash payments from other operating activities (2+4) = IV		
7. Income tax receipts and payments (V)	(31,957)	(45,163)
<b>A.3.) Total net cash flows from operating activities (I- II+ III- IV - V)</b>	<b>54,695</b>	<b>128,873</b>
<b>B) CASH FLOWS FROM INVESTMENT ACTIVITIES</b>		
<b>B.1) Proceeds from investment activities</b>	<b>1,483,810</b>	<b>910,394</b>
1. Property, plant and equipment	552	281
2. Real estate investment		
3. Intangible assets		
4. Financial instruments	1,411,031	799,802
5. Shares in group, multi-group and associated companies	-	49,596
6. Interest collected	65,207	54,977
7. Dividends collected	7,020	5,738
8. Business unit		
9. Other investment activities receipts		
10. Total cash receipts from investment activities (1+2+3+4+5+6+7+8+9) = VI	1,483,810	910,394
<b>B.2.) Investment activities payments</b>	<b>(1,429,931)</b>	<b>(990,137)</b>
1. Property, plant and equipment	(328)	(552)
2. Real estate investment		
3. Intangible assets	(224)	(229)
4. Financial instruments	(1,429,379)	(989,356)
5. Shares in group, multi-group and associated companies		
6. Business unit		
7. Other payments related to investment activities		
8. Total cash payments from investment activities (1+2+3+4+5+6+7) = VII	(1,429,931)	(990,137)
<b>B.3.) Total cash flows from investment activities (VI + VII)</b>	<b>53,879</b>	<b>(79,743)</b>

## CASH FLOW STATEMENT

2015

2014

**C) CASH FLOW FROM FINANCING ACTIVITIES****C.1) Financing activities receipts**

1. Subordinated liabilities		
2. Income from issue of equity instruments and capital increase		
3. Active apportionments and contributions from shareholders or members		
4. Disposal of own securities		
5. Other receipts related to financing activities		
6. Total cash receipts from financing activities (1+2+3+4+5) = VIII		

**C.2) Payments from financing activities**

	<b>(91,733)</b>	<b>(81,303)</b>
1. Dividends paid to shareholders	(91,733)	(80,176)
2. Interest paid		
3. Subordinated liabilities		
4. Payments on return of shareholders' contributions		
5. Active apportionments and return of mutual companies' contributions		
6. Acquisition of own securities		
7. Other payments related to financing activities	-	(1,127)
8. Total cash payments from financing activities (1+2+3+4+5+6+7) = IX	(91,733)	(81,303)

**C.3) Total net cash flow from financing activities (VIII + IX)**

	<b>(91,733)</b>	<b>(81,303)</b>
Effect of exchange rate fluctuations (X)	(2)	(4)

<b>Total increase / reduction in cash and cash equivalents (A.3 + B.3 + C.3 + - X)</b>	<b>16,839</b>	<b>(32,177)</b>
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<b>Cash and cash equivalents at beginning of period</b>	<b>105,772</b>	<b>137,949</b>
---------------------------------------------------------	----------------	----------------

<b>Cash and cash equivalents at end of period</b>	<b>122,611</b>	<b>105,772</b>
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1. Savings and other banks	89,986	67,925
2. Other financial assets	32,625	37,847
3. Bank overdrafts repayable on demand		

<b>TOTAL</b>	<b>122,611</b>	<b>105,772</b>
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(Figures in €000)

07

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08

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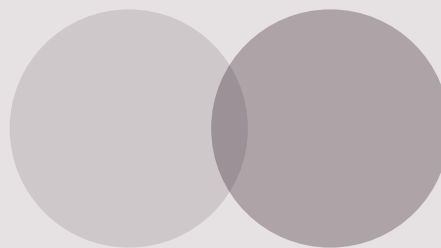
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