Annual Report

2016

Client Orientation

+ Management excellence

leadership

MAPFRE | RE

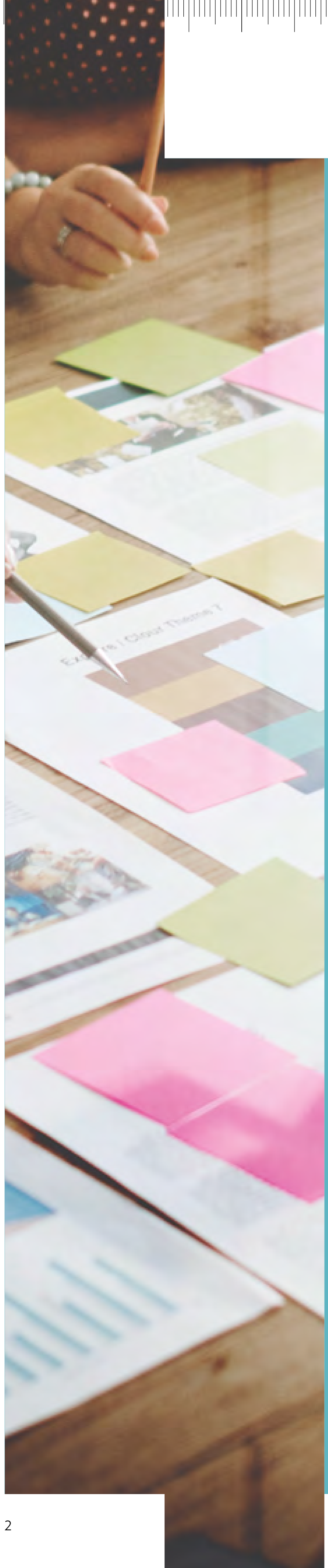
Trust

Annual report

2016

Trusted
Global
Reinsurer

MAPFRE | RE



leadership

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Governing bodies

Board of Directors		Management Committee
CHAIRMAN	Mr. Esteban Tejera	
VICE CHAIRMAN	Mr. Angel Alonso	*Vice Chairman*
MANAGING DIRECTOR	Mr. Eduardo Pérez de Lema	*Chairman*
BOARD MEMBERS	Mr. Aristóbulo Bausela	
	Mr. Ricardo Blanco	*Member*
	Mr. Javier Fernández-Cid	
	Mr. Antonio Gómez	*Member*
	Mr. Philippe Hebeisen (Vaudoise Assurances Holding)	
	Mr. Mark Hews (Ecclesiastical Insurance)	
	Mr. José Manuel Inchausti	
	Mr. Pedro López	*Member*
	Mr. Ricky L. Means (Shelter Mutual Insurance Company)	
	Mr. Daniel Quermia	*Member*
	Mr. Gregorio Robles	
	Mr. Jaime Tamayo	
SECRETARY – NON-BOARD MEMBER	Mr. Juan M. Sanz	*Secretary*

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

02

Consolidated Management Report

The low economic growth experienced in recent years in developed countries, lower interest rates driven by central banks to stimulate growth, and the absence of significant catastrophes during the last five years have all led to strong competition in reinsurance rates and conditions, partly offset by higher growth in developing countries. Similarly, major insurance operators have continued to consolidate their reinsurance programs, reducing the premium volumes available for reinsurers.

In this competitive and volatile context, some operators have turned to mergers and acquisitions with other reinsurance or insurance companies in order to diversify their portfolio, both in terms of business line as well as geographically, and to adjust their shareholders' equity in an environment of low profitability through capital reductions or the payment of extraordinary dividends. However, the aforementioned absence of catastrophes has made it possible to continue generating positive results, although they were lower than in previous years, falling to single digits.

In this complex environment, the growth in premiums and earnings achieved by MAPFRE RE stands out. The ratings agency Standard & Poor's maintained an **A** rating with outlook stable in its last review, two notches above the Spanish sovereign rating. On the other hand, A.M. Best also maintained an **A** rating with outlook stable in its recent review.

Main activities

MAPFRE RE generated revenues of 3,394.7 million euros, an increase of 5.3 per cent on the previous year, with earnings before tax and non-controlling interests of 252.8 million euros, 23.2 per cent higher than the previous year, while shareholders' equity totaled 1,279.4 million euros - all positive results, and obtained in an unstable and competitive environment. The Non-Life combined ratio was 94.1 per cent, due in part to underwriting discipline and also the absence of major catastrophes.

On December 1, 2016, ownership of the building located at Paseo de Recoletos 25, Madrid, which is MAPFRE RE's current registered address, was acquired from Fundación MAPFRE.

Commercial initiatives

The two new offices in Singapore and Labuan, authorized by the respective regulators in 2015, have begun operating very positively. They entered the market providing assistance to 162 clients in Singapore and 69 in Kuala Lumpur.

Similarly, the possible conversion of the representative office in China into a branch continues to be studied.

In the remaining geographic areas, strong commercial activity has also been maintained with clients and brokers, among which the 25th anniversary of the offices in Lisbon, London and Bogota can be highlighted.

Underwriting management and customer services

The 2016 financial year was marked by significant claims originating from the El Niño climate phenomenon, which affected the agricultural industry both on the Pacific and Atlantic coasts. Within this business line, training seminars were held or sponsored in Turkey and Colombia. Similarly, MAPFRE RE sponsored the International Association of Agricultural Production Insurers (AIAG) seminar held in Holland, with the presence of loss adjusters from the European market.

To develop personal insurance lines, courses and seminars on risk processes, selection and underwriting were held in Mexico, Panama, Chile, Colombia, Argentina, Italy and Malta, with the attendance of 300 people.

MAPFRE RE actively collaborates as a speaker at market events organized by different institutions. The company participated in conferences related to innovation and medical insurance in Italy and France, and sponsored the biannual conference of European Life & Health Underwriters' Association held in Madrid.

An actuarial tool has been developed to analyze catastrophe risk for the Group, linked to current reinsurance protection.

During 2016, the Innovation Area was launched to identify trends and changes that bring with them business opportunities for our clients and partners.

The traditional International Forum was held in Madrid with 13 participants from 12 countries, of which five were from Europe and seven from the Asia-Pacific region. Furthermore, a portal was launched on the website with the aim of providing online training to clients.

The new employees in the Singapore office took part in technical training courses to standardize underwriting criteria.

All of these initiatives are evidence of MAPFRE RE's technical commitment and service vocation, and the close relationship with its international clients.

Information and technology systems

The complexity of new legal requirements and the opening of new offices have fostered the strengthening of the workforce with highly-qualified professionals, both at central services and in our offices around the world.

The information systems and internal processes have responded adequately to the coming into effect of the Solvency II Directive on January 1, 2016. The implementation of new processes and applications has continued, and corporate policies have been adopted in relation to compliance with Solvency II. Similarly, the first ORSA (Own Risk and Solvency Assessment) and actuarial report have been submitted to the competent body. Internal training courses on Solvency II have also been conducted.

The incorporation of information processes should be highlighted, such as the exchange of technical account information using the Ruschlikon Lite method in the ACORD format with reinsurance companies and brokers; the study of catastrophe exposures of the MAPFRE Group in accordance with several parameters; improvements in the CONDOR system's collections and payments module; the development of a CRM for the business directory; a new HTML5 version of the MARASEL risk selection system in the life insurance business; and a series of applications to automate internal management reports. This will enable more agile and precise management of the information handled by the company.

Companies

MAPFRE RE DO BRASIL generated revenue of 65.1 million euros and earnings before tax of 12.7 million euros, with shareholders' equity reaching 50.1 million euros as of the end of the period. These results were achieved in a competitive environment hindered by low economic growth, although the local currency showed some recovery against the euro.

INVERSIONES IBÉRICAS and MAPFRE CHILE REASEGUROS produced revenues of 37.1 million euros and earnings before tax of -7.9 million euros, ending the year with shareholders' equity of 54.5 million euros.

Outlook

A moderate recovery in developed economies, a slight increase in interest rates and greater underwriting discipline are forecast, which should enable positive underwriting results —necessary to face the volatility of financial markets and the inevitable occurrence of major catastrophes— to be obtained. Merger and acquisition processes will continue with the objective of increasing scale, diversification, and cost and capital savings.

Subsequent events

No material events potentially impacting on the outlook or forecasts for the current year have occurred since the time of closing this report.

No subsequent events affecting the financial statements as of December 31, 2016 have occurred.

Proposed resolutions

1. To approve the individual annual accounts corresponding to the 2016 financial year, as well as the following proposal for the use of earnings contained in the annual report:

BASIS OF DISTRIBUTION	
Profit and loss	186,316,860
Retained earnings	432,549,116
Total	**618,865,976**

DISTRIBUTION	
As dividends	90,288,835
To equalization reserve	-
To retained earnings	528,577,141
Total	**618,865,976**

Amount in euros

The proposal involves a gross total dividend distribution of 1.25 euros per share to shares numbered 1 to 72,231,068 inclusive.

This dividend, for the gross amount of 1.25 euros per share, was anticipated in agreements of the Board of Directors that were adopted on April 28 and November 30, 2016.

2. To approve the consolidated annual accounts for 2016.

3. To approve the management of the Board of Directors in 2016.

4. To re-elect Mr. Eduardo Pérez de Lema, Mr. Angel Alonso, Mr. Ricardo Blanco, Mr. Philippe Hebeisen and Mr. Mark Hews as directors of the company for a period of four years.

5. To approve, for the purposes outlined in Article 217.3 of the Spanish Companies Act, the amount of six hundred thousand euros (600,000.00 euros) as the maximum amount of annual remuneration for directors in this position. Said amount will be applicable in 2017 and will remain in force, in accordance with legal requirements, until its modification is approved in an Annual General Meeting.

6. To delegate broader powers to the Chairman of the Board of Directors and its Secretary so that either of them may proceed with the implementation of the resolutions adopted at the General Meeting and make them public when necessary.

7. To thank those involved in managing the company for their loyal collaboration over the course of this financial year.

On May 12, 2016, Mr. Pedro de Macedo, Chairman of the Board of MAPFRE RE, passed away. Mr. Macedo spent his career spanning 25 years at MAPFRE RE, assuming different managerial responsibilities before being appointed the company's Chairman. Over this period, MAPFRE RE consolidated its position as a leading reinsurance company in the global market, and one of the Group's most profitable business units. MAPFRE RE's Board of Directors wishes to take this opportunity to acknowledge and express its gratitude for the work of an extraordinary professional and an even better person, and extend our condolences to his family on behalf of all of the company's employees and managers.

Mr. Pedro de Macedo

Financial and Statistical Information

Reinsurance Unit

IFRS INCOME STATEMENT	2016	2015	Var. % 16/15
ACCEPTED REINSURANCE			
Accepted premiums	**4,234.7**	**3,731.9**	**13.5%**
Earned premium	4,094.2	3,529.2	16.0%
Claims (including claims-related expenses)	(2,552.6)	(2,299.9)	11.0%
Operating expenses and other technical expenses	(1,066.6)	(877.1)	21.6%
ACCEPTED REINSURANCE EARNINGS	475.1	352.1	34.9%
RETROCEDED REINSURANCE			
Premiums and variations in unearned premium reserves	(1,402.4)	(1,234.9)	13.6%
Claims paid and variation in provision for outstanding claims	702.1	698.9	0.5%
Commissions and holdings	306.4	231.8	32.1%
RETROCEDED REINSURANCE EARNINGS	**(394.0)**	**(304.2)**	**29.5%**
Other technical revenue and expenses	(2.4)	(2.7)	(11.6%)
LIFE AND NON-LIFE TECHNICAL ACCOUNT EARNINGS	**78.7**	**45.2**	**74.0%**
Net revenues from investments	177.2	163.6	8.3%
Unrealized gains and losses on investments	0.0	0.0	0.0%
Other non-technical revenues and expenses	(3.1)	(3.6)	(14.8%)
Earnings from non-controlling interests	0.0	0.0	0.0%
LIFE AND NON-LIFE EARNINGS	**252.8**	**205.1**	**23.2%**
EARNINGS FROM OTHER ACTIVITIES	**0.0**	**0.0**	**0.0%**
RESULT BEFORE TAX AND NON-CONTROLLING INTERESTS	**252.8**	**205.1**	**23.2%**
Tax on profits	(66.8)	(52.6)	27.0%
Result after tax from discontinued activities	0.0	0.0	0.0%
RESULT AFTER TAX	**186.1**	**152.6**	**21.9%**
External partners	0.0	0.0	0.0%
RESULT AFTER TAX AND NON-CONTROLLING INTERESTS	**186.1**	**152.6**	**21.9%**

Millions of euros

NON-LIFE INSURANCE RATIOS	2016	2015	Var. % 16/15
Loss ratio for accepted reinsurance	65.0%	64.6%	0.6%
Expense ratio for accepted reinsurance	29.1%	29.3%	(0.7%)
Combined ratio net of retroceded reinsurance	94.1%	93.9%	0.2%

BREAKDOWN OF ACCEPTED PREMIUMS	2016	2015	Var. % 16/15
Non-Life	3,586.5	3,131.3	14.5%
Life	648.2	600.6	7.9%
TOTAL	**4,234.7**	**3,731.9**	**13.5%**

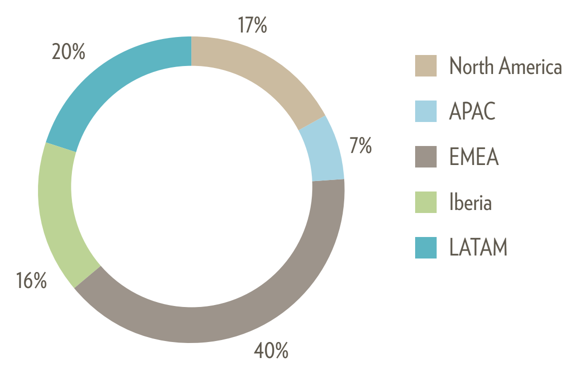
Millions of euros

KEY BALANCE SHEET FIGURES (IFRS)	2016	2015	Var. % 16/15
Financial investments and cash	3,570.6	3,327.7	7.3%
Total assets	5,579.0	5,307.0	5.1%
Equity	1,279.0	1,174.2	8.9%
ROE	15.2%	13.0%	16.9%

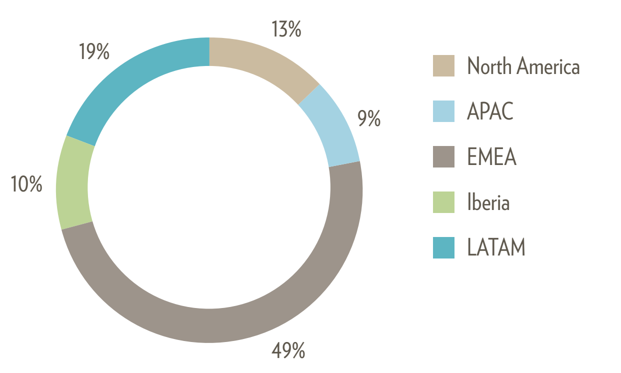
Millions of euros

OTHER INFORMATION	2016	2015	Var. % 16/15
Average number of employees	349	342	2.0%
% commissions over accepted written reinsurance premiums	24.0%	25.9%	(7.5%)
% internal management expenses over accepted premiums	1.4%	1.5%	(9.3%)

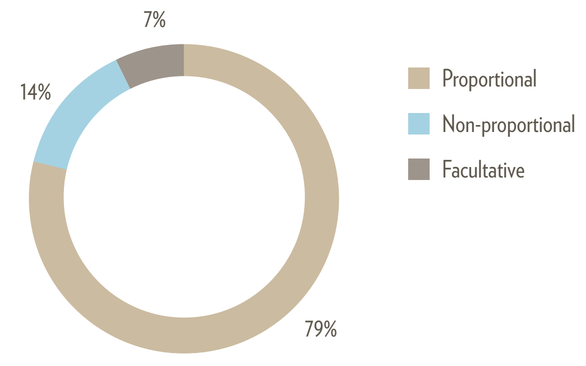
Gross Premiums by Geographic Area



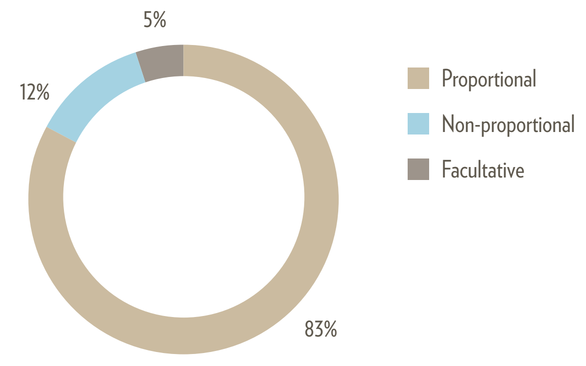
Net Premiums by Geographic Area



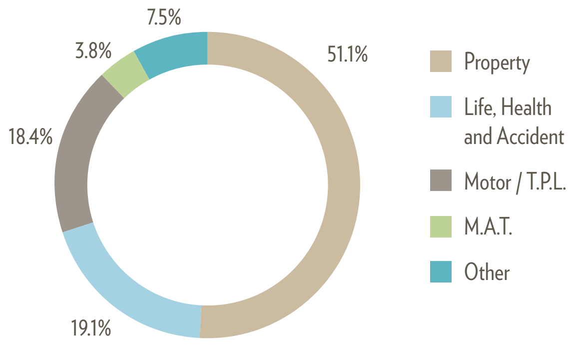
Gross Premiums by Business Type



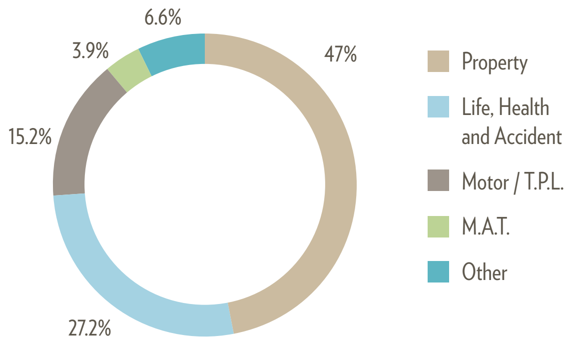
Net Premiums by Business Type



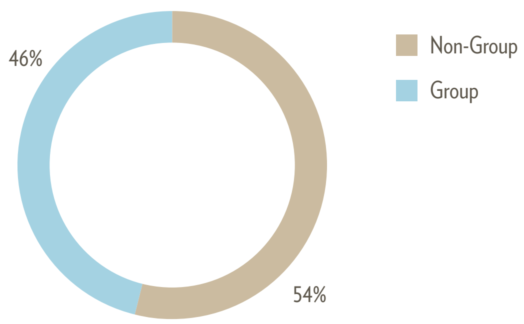
Gross Premiums by Business Line



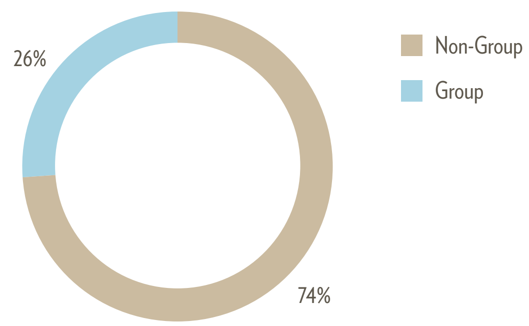
Net Premiums by Business Line



Gross Premiums by Cedent Type



Net Premiums by Cedent Type



Additional notes

Environmental information

In 2016, the Group continued to implement initiatives to ensure compliance with the commitments assumed under the Corporate Environmental Policy. In particular, it has focused on transparently demonstrating its performance with regard to environmental issues that are considered material, both internally and with external stakeholders, as well as strengthening the global commitment undertaken in this regard.

In accordance with the guidelines defined in the Integrated Environmental, Energy and Carbon Footprint Management System (SIGMAYE), MAPFRE implements environmental initiatives in accordance with ISO 14001, ISO 50001 and ISO 14064. The multidisciplinary design and global nature of SIGMAYE enable both global and specific local objectives to be established, ensuring compliance with the applicable legislation in force and providing minimum mandatory criteria in countries where the legislation is less developed.

With regard to climate change mitigation and adaptation, continued progress has been made with the initiatives defined in the Strategic Plan for Energy Efficiency and Climate Change, the objective of which is to reduce Group emissions by 20 per cent by 2020. In this regard, the procurement of electricity from renewable sources for the entirety of MAPFRE's installations in Spain can be highlighted.

Actions on this subject have led, for a second consecutive year, to CDP (Carbon Disclosure Project) acknowledging MAPFRE as a global leader in the fight against climate change, including it in its Climate A-List.

Regarding biodiversity conservation, for the first time since joining the Biodiversity Pact launched by the Spanish Business and Biodiversity Initiative, MAPFRE published a report on biodiversity (Informe sobre Biodiversidad 2013-2016) describing activities such as the protection of the Arctic and the species that live there through the collaboration agreement with WWF to support the "NI UN GRADO MÁS" (Not One Degree More) campaign.

Furthermore, coinciding with World Environment Day, the objective of which in 2016 was "Zero tolerance for illegal trade in wildlife", MAPFRE produced a guide on endangered species and distributed it in every country in which it operates. The company also added a new section to the employee guides on safe travel abroad regarding the restrictions that apply to endangered species trafficking, and other useful guidelines on environmental matters.

Personnel

The workforce that provided services to the company as of the year end can be broken down as follows:

CATEGORY	2016	2015	2014
Managers	92	97	99
Administrative	46	84	77
Other	212	161	144
TOTAL	**350**	**342**	**320**

Investments

With regard to financial investments, MAPFRE RE's policy to mitigate its exposure to this type of risk has been 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. As such, the portfolio of fixed-income securities is composed mostly of securities with high credit ratings.

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

03

Consolidated Annual Accounts 2016

A) Consolidated balance sheet as on December 31, 2016 and 2015

ASSETS	Notes	2016	2015
A) INTANGIBLE ASSETS	**-**	**576**	**1,034**
I. Goodwill		-	-
II. Other intangible assets	6.1	576	1,034
B) PROPERTY, PLANT AND EQUIPMENT	**-**	**54,517**	**10,012**
I. Property for own use	6.2 / 7D	49,752	7,381
II. Other property, plant and equipment	6.2	4,765	2,631
C) INVESTMENTS	**-**	**4,148,390**	**3,860,609**
I. Property investments	6.2 / 7D	6,375	5,152
II. Financial investments	-	3,424,694	3,189,240
1. Held-to-maturity portfolio	-	-	-
2. Available-for-sale portfolio	6.4 / 7D	3,389,047	3,150,775
3. Trading portfolio	6.4 / 7D	35,647	38,465
III. Investments recorded by applying the equity method	-	-	483
IV. Deposits established for accepted reinsurance	-	711,481	657,577
V. Other investments	7D	5,840	8,157
D) PARTICIPATION OF REINSURANCE IN TECHNICAL PROVISIONS	**6.9**	**755,923**	**664,453**
E) DEFERRED TAX ASSETS	**6.17**	**-**	**-**
F) RECEIVABLES	**6.5 / 7B**	**305,972**	**463,683**
I. Receivables on reinsurance operations	6.5 / 7B	283,151	451,496
II. Tax receivables	6.5 / 7B	17,087	8,938
1. Tax on profits receivable	-	8,142	2,156
2. Other tax receivables	-	8,945	6,782
III. Corporate and other receivables	6.5 / 7B	5,734	3,249
G) CASH	**6.7 / 7B / 7C**	**140,022**	**129,751**
H) ACCRUAL ADJUSTMENTS	**6.15**	**173,501**	**177,433**
I) OTHER ASSETS	**-**	**-**	**12**
TOTAL ASSETS	**-**	**5,578,901**	**5,306,987**

Figures in thousands of euros

LIABILITIES AND EQUITY	Notes	2016	2015
A) EQUITY	**-**	**1,279,424**	**1,174,170**
I. Paid-up capital	6.8	223,916	223,916
II. Share premium	6.8	220,565	220,565
III. Reserves	-	620,528	558,841
IV. Interim dividend	4.2	(90,289)	(90,289)
V. Treasury stock	-	-	-
VI. Earnings attributable to controlling company	-	186,074	152,566
VII. Other equity instruments	-	-	-
VIII. Revaluation adjustments	6.8	105,048	107,597
IX. Currency conversion differences	6.19	13,566	955
Equity attributable to the controlling company's shareholders	-	1,279,408	1,174,151
Non-controlling interests	-	16	19
B) SUBORDINATED LIABILITIES	**-**	**-**	**-**
C) TECHNICAL PROVISIONS	**6.9 / 7C**	**3,797,153**	**3,524,915**
I. Provisions for unearned premiums and unexpired risks	6.9 / 7C	1,330,416	1,268,457
II. Provisions for life insurance	6.9 / 7C	549,736	474,182
III. Provision for outstanding claims	6.9 / 7C	1,917,001	1,782,276
IV. Provision for profit-sharing and return premiums	-	-	-
D) PROVISIONS FOR RISKS AND EXPENSES	**6.10**	**7,643**	**8,998**
E) DEPOSITS RECEIVED ON CEDED AND RETROCEDED REINSURANCE	**6.11**	**43,603**	**60,273**
F) DEFERRED TAX LIABILITIES	**6.17**	**24,627**	**31,069**
G) DEBT	**6.12**	**354,039**	**434,980**
I Due on reinsurance operations	6.12 / 7C	298,286	403,042
II. Tax liabilities	6.12 / 6.17	21,204	12,744
1. Tax on profits to be paid	-	225	1,444
2. Other tax liabilities	-	20,979	11,300
III. Other debts	6.12	34,549	19,194
H) ACCRUAL ADJUSTMENTS	**6.15**	**72,412**	**72,582**
TOTAL LIABILITIES AND EQUITY	**-**	**5,578,901**	**5,306,987**

Figures in thousands of euros

B) Consolidated statement of comprehensive income for years ended December 31, 2016 and 2015

B.1 Consolidated income statement

ITEM	Notes	2016	2015
I. REVENUE FROM INSURANCE BUSINESS			
1. Premiums allocated to the period, net	-	2,691,755	2,294,280
a) Written premiums, direct insurance	-	-	-
b) Premiums from accepted reinsurance	7. A2	4,234,750	3,731,911
c) Premiums from ceded reinsurance	6.16	(1,434,087)	(1,222,210)
d) Variations in provisions for unearned premiums and unexpired risks, net	-	(108,908)	(215,421)
Direct insurance	-	-	-
Accepted reinsurance	-	(140,550)	(202,754)
Ceded reinsurance	6.16	31,642	(12,667)
2. Share in profits from equity-accounted companies	-	-	-
3. Revenues from investments	6.14	206,222	205,347
a) From operations	6.14	196,084	195,669
b) From equity	6.14	10,138	9,678
4. Unrealized gains on investments on behalf of life insurance policyholders bearing the investment risk	-	-	-
5. Other technical revenue	-	-	-
6. Other non-technical revenue	-	746	545
7. Positive foreign exchange differences	6.19	490,264	723,173
8. Reversal of the asset impairment provision	6.6/6.5	5,683	-
TOTAL REVENUE FROM INSURANCE BUSINESS	**-**	**3,394,670**	**3,223,345**
II. EXPENSES FROM INSURANCE BUSINESS			
1. Incurred claims for the period, net	-	(1,838,896)	(1,601,073)
a) Claims paid and variation in provision for claims, net	-	(1,838,787)	(1,600,971)
Direct insurance	-	-	-
Accepted reinsurance	-	(2,540,879)	(2,299,834)
Ceded reinsurance	6.16	702,092	698,863
b) Claims-related expenses	6.15	(109)	(102)
2. Variation in other technical provisions, net	-	(11,599)	-
3. Profit-sharing and return premiums	-	-	-
4. Net operating expenses	6.15	(760,195)	(645,312)
a) Acquisition expenses	6.15	(1,052,642)	(863,713)
b) Administration expenses	6.15	(13,907)	(13,424)
c) Commissions and participation in reinsurance	6.16	306,354	231,825
5. Share in losses from equity-accounted companies	-	-	(36)
6. Expenses from investments	6.14	(32,944)	(42,252)
a) From operations	6.14	(29,296)	(38,598)
b) From equity and financial accounts	6.14	(3,648)	(3,654)
7. Unrealized losses on investments on behalf of life insurance policyholders bearing the investment risk	-	-	-
8. Other technical expenses	6.15	(2,354)	(2,657)
9. Other non-technical expenses	6.15	(3,847)	(4,182)
10. Negative foreign exchange differences	6.19	(487,252)	(715,862)
11. Allowance to the asset impairment provision	6.6	(4,766)	(6,840)
TOTAL EXPENSES FROM INSURANCE BUSINESS	**-**	**(3,141,853)**	**(3,018,214)**
III. RESULT FROM THE INSURANCE BUSINESS	**6.17**	**252,817**	**205,131**
IV. RESULT ON RESTATEMENT OF FINANCIAL ACCOUNTS	**-**	**-**	**-**
V. TAX ON PROFIT FROM ONGOING OPERATIONS	**6.17**	**(66,757)**	**(52,565)**
VI. RESULT AFTER TAX FROM ONGOING OPERATIONS	**-**	**186,060**	**152,566**
VII. RESULT AFTER TAX FROM DISCONTINUED ACTIVITIES	**-**	**-**	**-**
VIII. RESULT FOR THE PERIOD	**-**	**186,060**	**152,566**
1. Attributable to non-controlling interests	-	14	-
2. Attributable to the controlling company	-	186,074	152,566

Figures in thousands of euros

B.2 Other comprehensive income, consolidated

ITEM	GROSS AMOUNT		TAX ON PROFIT		ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		ATTRIBUTABLE TO THE CONTROLLING COMPANY	
	2016	2015	2016	2015	2016	2015	2016	2015
A) CONSOLIDATED RESULT FOR THE PERIOD								
A.1) Ongoing operations								
A.2) Discontinued operations	252,817	205,131	(66,757)	(52,565)	14	-	186,074	152,566
B) OTHER RECOGNIZED REVENUE (EXPENSES)	**9,463**	**(82,674)**	**611**	**18,557**	**14**	**-**	**10,074**	**(64,117)**
B.1) Ongoing operations								
1. Financial assets available for sale	(2,894)	(70,467)	357	18,730	-	-	(2,537)	(51,737)
a) Valuation gains (losses)	32,194	(33,197)	(8,415)	9,413	-	-	23,779	(23,784)
b) Amounts transferred to the income statement	(35,088)	(37,270)	8,772	9,317	-	-	(26,316)	(27,953)
c) Other reclassifications	-	-	-	-	-	-	-	-
2. Currency conversion differences	12,357	(12,207)	254	(173)	-	-	12,611	(12,380)
a) Valuation gains (losses)	12,357	(12,207)	254	(173)	-	-	12,611	(12,380)
b) Amounts transferred to the income statement	-	-	-	-	-	-	-	-
c) Other reclassifications	-	-	-	-	-	-	-	-
3. Shadow accounting	-	-	-	-	-	-	-	-
a) Valuation gains (losses)	-	-	-	-	-	-	-	-
b) Amounts transferred to gains and losses statement	-	-	-	-	-	-	-	-
c) Other reclassifications	-	-	-	-	-	-	-	-
4. Equity-accounted entities	-	-	-	-	-	-	-	-
a) Valuation gains (losses)	-	-	-	-	-	-	-	-
b) Amounts transferred to the income statement	-	-	-	-	-	-	-	-
c) Other reclassifications	-	-	-	-	-	-	-	-
5. Other recognized revenue and expenses	-	-	-	-	-	-	-	-
B.2) Discontinued operations (Net of divestment)	-	-	-	-	-	-	-	-
TOTAL	**262,280**	**122,457**	**(66,146)**	**(34,008)**	**14**		**196,148**	**88,449**

Figures in thousands of euros

All of the items included in the other comprehensive income statement may be reclassified to the consolidated income statement in line with IFRS EU regulations.

C) Consolidated statement of changes in equity as on December 31, 2016 and 2015

ITEM	NOTES	EQUITY ATTRIBUTABLE TO THE CONTROLLING COMPANY'S SHAREHOLDERS									NON-CONTROLLING INTERESTS	TOTAL EQUITY
		Share capital	Share premium	Reserves	Interim dividend	Treasury stock	Result attributable to the controlling company	Other equity instruments	Valuation change adjustments	Currency conversion differences		
BALANCE AS OF JANUARY 1, 2015		**223,916**	**220,565**	**499,437**	**(80,176)**	**-**	**141,523**	**-**	**160,570**	**13,335**	**20**	**1,179,190**
I. Changes in accounting policies												
II. Correction of errors		-	-	-	-	-	-	-	-	-	-	-
ADJUSTED BALANCE AS OF JANUARY 1, 2015, UPDATED		**223,916**	**220,565**	**499,437**	**(80,176)**	**-**	**141,523**	**-**	**160,570**	**13,335**	**20**	**1,179,190**
CHANGES FOR 2015		-	-	-	-	-	-	-	-	-	-	-
I. Earnings recognized directly in equity		-	-	-	-	-	-	-	-	-	-	-
1. For revaluation of property, plant and equipment and intangible assets		-	-	-	-	-	-	-	-	-	-	-
2. For available-for-sale investments		-	-	-	-	-	-	-	(51,737)	-	-	(51,737)
3. For cash flow hedging		-	-	-	-	-	-	-	-	-	-	-
4. For currency conversion differences		-	-	-	-	-	-	-	-	(12,380)	-	(12,380)
5. For other earnings recognized directly in equity		-	-	-	-	-	-	-	-	-	-	-
Total earnings recognized directly in equity		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(51,737)**	**(12,380)**	**-**	**(64,117)**
II. Other earnings for 2015		-	-	-	-	-	152,566	-	-	-	-	152,566
III. Distribution of earnings for 2014		-	-	59,903	80,176	-	(141,523)	-	-	-	-	(1,444)
IV. Interim dividend for 2015		-	-	-	(90,289)	-		-	-	-	-	(90,289)
V. Capital increase		-	-	-	-	-	-	-	-	-	-	-
VI. Pending paid-up capital		-	-	-	-	-	-	-	-	-	-	-
VII. Capital reduction		-	-	-	-	-	-	-	-	-	-	-
VIII. Other increases		-	-	-	-	-	-	-	-	-	-	-
IX. Other decreases		-	-	(499)	-	-	-	-	(1,236)	-	(1)	(1,736)
TOTAL VARIATIONS IN 2015		**-**	**-**	**59,404**	**(10,113)**	**-**	**11,043**	**-**	**(1,236)**	**-**	**(1)**	**59,097**
BALANCE AS OF DECEMBER 31, 2015		**223,916**	**220,565**	**558,841**	**(90,289)**	**-**	**152,566**	**-**	**107,597**	**955**	**19**	**1,174,170**
I. Changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-
II. Correction of errors		-	-	-	-	-	-	-	-	-	-	-
ADJUSTED BALANCE AS OF JANUARY 1, 2016, UPDATED		**223,916**	**220,565**	**558,841**	**(90,289)**	**-**	**152,566**	**-**	**107,597**	**955**	**19**	**1,174,170**
CHANGES FOR 2016		-	-	-	-	-	-	-	-	-	-	-
I. Earnings recognized directly in equity		-	-	-	-	-	-	-	-	-	-	-
1. For revaluation of property, plant and equipment and intangible assets		-	-	-	-	-	-	-	-	-	-	-
2. For available-for-sale investments		-	-	-	-	-	-	-	(2,537)	-	-	(2,537)
3. For cash flow hedging		-	-	-	-	-	-	-	-	-	-	-
4. For currency conversion differences		-	-	-	-	-	-	-	-	12,611	-	12,611
5. For other earnings recognized directly in equity		-	-	-	-	-	-	-	-	-	-	-
Total earnings recognized directly in equity		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,537)**	**12,611**	**-**	**10,074**
II. Other earnings for 2016		-	-	-	-	-	186,074	-	-	-	-	186,074
III. Distribution of earnings for 2015		-	-	62,277	90,289	-	(152,566)	-	-	-	-	-
IV. Interim dividend for 2016		-	-		(90,289)	-	-	-	-	-	-	(90,289)
V. Capital increase		-	-	-	-	-	-	-	-	-	-	-
VI. Pending paid-up capital		-	-	-	-	-	-	-	-	-	-	-
VII. Capital reduction		-	-	-	-	-	-	-	-	-	-	-
VIII. Other increases		-	-	-	-	-	-	-	-	-	-	-
IX. Other decreases		-	-	(590)	-	-	-	-	(12)	-	(3)	(605)
TOTAL VARIATIONS IN 2016		**-**	**-**	**61,687**	**-**	**-**	**33,508**	**-**	**(12)**	**-**	**(3)**	**95,180**
BALANCE AS OF DECEMBER 31, 2016		**223,916**	**220,565**	**620,528**	**(90,289)**	**-**	**186,074**		**105,048**	**13,566**	**16**	**1,279,424**

Figures in thousands of euros

The amounts in the "Other increases" and "Other decreases" items in the "Reserves" column are mostly due to the distribution of profits from previous years, and the transfers made between them.

D) Consolidated cash flow statement for years ended December 31, 2016 and 2015

ITEM	2016	2015
Collections for premiums	-	-
Payments for claims	-	-
Collections for reinsurance operations	865,793	586,198
Payments for reinsurance operations	(528,684)	(398,465)
Collections for co-insurance operations	-	-
Payments for co-insurance operations	-	-
Payments for commissions	-	-
Collections from clients for other activities	-	-
Payments to providers of other activities	-	-
Other operating collections	1,938	964
Other operating payments	(108,783)	(79,835)
Tax payments or collections on companies	(38,691)	(35,876)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**191,573**	**72,986**
Acquisitions of intangible fixed assets	(26)	(224)
Acquisitions of property, plant and equipment	(41,510)	(1,017)
Acquisitions of investments and disbursement of capital increases	(163,307)	(1,473,037)
Net cash paid by companies removed from scope	-	-
Net cash collected by companies removed from scope	-	-
Sale of fixed assets	450	630
Investment sales	12,438	1,440,301
Interest collected	86,989	65,699
Other payments		
Collections for dividends	13,389	5,412
Collection for loans granted and other financial instruments	-	-
Payments for loans granted and other financial instruments	-	-
NET CASH FLOWS FROM INVESTMENT ACTIVITIES	**(91,577)**	**37,765**
Dividends and donations paid	(90,289)	(91,733)
Collections for capital increases	-	-
Payments on return of shareholders' contributions	-	-
Collection for issuance of debentures	-	-
Payments for interests and amortization of debentures	-	-
Payments for interest and amortization of other financing activities	-	-
Collections for other financing activities	-	-
NET CASH FLOW FROM FINANCING ACTIVITIES	**(90,289)**	**(91,733)**
NET INCREASE (DECREASE) IN CASH FLOW	**9,707**	**19,017**
Conversion differences in cash flow and cash balances	**564**	**(2,553)**
OPENING CASH BALANCE	**129,751**	**113,287**
CLOSING CASH BALANCE	**140,022**	**129,751**

Figures in thousands of euros

E) Financial information by segment – Consolidated balance sheet as on December 31, 2016 and 2015

ASSETS	LIFE REINSURANCE		NON-LIFE REINSURANCE		TOTAL	
	2016	2015	2016	2015	2016	2015
A) INTANGIBLE ASSETS	**60**	**106**	**516**	**928**	**576**	**1,034**
I. Goodwill	-	-	-	-	-	-
II. Other intangible assets	60	106	516	928	576	1,034
B) PROPERTY, PLANT AND EQUIPMENT	**5,940**	**1,137**	**48,577**	**8,875**	**54,517**	**10,012**
I. Property for own use	5,539	931	44,213	6,450	49,752	7,381
II. Other property, plant and equipment	401	206	4,364	2,425	4,765	2,631
C) INVESTMENTS	**925,462**	**784,656**	**3,222,928**	**3,075,953**	**4,148,390**	**3,860,609**
I. Property investments	1,772	1,550	4,603	3,602	6,375	5,152
II. Financial investments	507,453	436,580	2,917,241	2,752,660	3,424,694	3,189,240
1. Held-to-maturity portfolio	-	-	-	-	-	-
2. Available-for-sale portfolio	493,903	421,221	2,895,144	2,729,554	3,389,047	3,150,775
3. Trading portfolio	13,550	15,359	22,097	23,106	35,647	38,465
III. Investments recorded by applying the equity method	-	483	-	-	-	483
IV. Deposits established for accepted reinsurance	415,751	342,746	295,730	314,831	711,481	657,577
V. Other investments	486	3,297	5,354	4,860	5,840	8,157
D) PARTICIPATION OF REINSURANCE IN TECHNICAL PROVISIONS	**26,204**	**27,985**	**729,719**	**636,468**	**755,923**	**664,453**
E) DEFERRED TAX ASSETS	**-**	**-**	**-**	**-**	**-**	**-**
F) RECEIVABLES	**38,930**	**57,463**	**267,042**	**406,220**	**305,972**	**463,683**
I. Receivables on reinsurance operations	35,453	55,164	247,698	396,332	283,151	451,496
II. Tax receivables	2,782	1,713	14,305	7,225	17,087	8,938
III. Corporate and other receivables	695	586	5,039	2,663	5,734	3,249
G) CASH	**14,797**	**13,180**	**125,225**	**116,571**	**140,022**	**129,751**
H) ACCRUAL ADJUSTMENTS	**2,737**	**2,507**	**170,764**	**174,926**	**173,501**	**177,433**
I) OTHER ASSETS	**-**	**1**	**-**	**11**	**-**	**12**
J) NON-CURRENT ASSETS HELD FOR SALE AND FROM DISCONTINUED OPERATIONS	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL ASSETS BY SEGMENT	**1,014,130**	**887,035**	**4,564,771**	**4,419,952**	**5,578,901**	**5,306,987**

Figures in thousands of euros

E) Financial information by segment – Consolidated balance sheet as on December 31, 2016 and 2015 (continued)

LIABILITIES AND EQUITY	LIFE REINSURANCE		NON-LIFE REINSURANCE		TOTAL	
	2016	2015	2016	2015	2016	2015
A) EQUITY	**174,386**	**151,299**	**1,105,038**	**1,022,871**	**1,279,424**	**1,174,170**
I. Paid-up capital	23,284	22,980	200,632	200,936	223,916	223,916
II. Share premium	22,935	22,637	197,630	197,928	220,565	220,565
III. Reserves	99,234	85,382	521,294	473,459	620,528	558,841
IV. Interim dividend	(14,688)	(6,174)	(75,601)	(84,115)	(90,289)	(90,289)
V. Treasury stock	-	-	-	-	-	-
VI. Result for the period attributable to the controlling company	23,163	13,263	162,911	139,303	186,074	152,566
VII. Other equity instruments	-	-	-	-	-	-
VIII. Revaluation adjustments	17,939	16,296	87,109	91,301	105,048	107,597
IX. Currency conversion differences	2,503	(3,104)	11,063	4,059	13,566	955
Equity attributable to the controlling company's shareholders	174,370	151,280	1,105,038	1,022,871	1,279,408	1,174,151
Non-controlling interests	16	19			16	19
B) SUBORDINATED LIABILITIES	**-**	**-**	**-**	**-**	**-**	**-**
C) TECHNICAL PROVISIONS	**788,022**	**678,608**	**3,009,131**	**2,846,307**	**3,797,153**	**3,524,915**
I. Provisions for unearned premiums and unexpired risks	-	-	1,330,416	1,268,457	1,330,416	1,268,457
II. Provisions for life insurance	549,736	474,182	-	-	549,736	474,182
III. Provisions for outstanding claims	238,286	204,426	1,678,715	1,577,850	1,917,001	1,782,276
IV. Other technical provisions	-	-	-	-		-
D) PROVISIONS FOR RISKS AND EXPENSES	795	923	6,848	8,075	7,643	8,998
E) DEPOSITS RECEIVED ON CEDED AND RETROCEDED REINSURANCE	4,912	6,316	38,691	53,957	43,603	60,273
F) DEFERRED TAX LIABILITIES	4,935	4,183	19,692	26,886	24,627	31,069
G) DEBT	41,077	45,701	312,962	389,279	354,039	434,980
I. Due on reinsurance operations	31,532	40,295	266,754	362,747	298,286	403,042
II. Tax liabilities	2,182	1,212	19,022	11,532	21,204	12,744
III. Other debts	7,363	4,194	27,186	15,000	34,549	19,194
H) ACCRUAL ADJUSTMENTS	**3**	**5**	**72,409**	**72,577**	**72,412**	**72,582**
I) LIABILITIES LINKED TO NON-CURRENT ASSETS HELD FOR SALE AND FROM DISCONTINUED OPERATIONS	-	-	-	-	-	-
TOTAL LIABILITIES AND EQUITY BY SEGMENT	**1,014,130**	**887,035**	**4,564,771**	**4,419,952**	**5,578,901**	**5,306,987**

Figures in thousands of euros

E) Financial information by segment – Consolidated income statement for years ended December 31, 2016 and 2015

	LIFE REINSURANCE		NON-LIFE REINSURANCE		TOTAL	
	2016	2015	2016	2015	2016	2015
I. REVENUE FROM INSURANCE BUSINESS						
1. Earned premium, net	515,989	458,145	2,175,766	1,836,135	2,691,755	2,294,280
a) Written premiums, direct insurance	-	-	-	-	-	-
b) Premiums from accepted reinsurance	648,245	600,645	3,586,505	3,131,266	4,234,750	3,731,911
c) Premiums from ceded reinsurance	(40,410)	(41,346)	(1,393,677)	(1,180,864)	(1,434,087)	(1,222,210)
d) Variations in provisions for unearned premiums and unexpired risks, net	(91,846)	(101,154)	(17,062)	(114,267)	(108,908)	(215,421)
Direct insurance	-	-	-	-	-	-
Accepted reinsurance	(82,419)	(102,036)	(58,131)	(100,718)	(140,550)	(202,754)
Ceded reinsurance	(9,427)	882	41,069	(13,549)	31,642	(12,667)
2. Share in profits from equity-accounted companies	-	-	-	-	-	-
3. Revenues from investments	90,807	79,720	115,415	125,627	206,222	205,347
a) From operations	89,512	78,321	106,572	117,348	196,084	195,669
b) From equity	1,295	1,399	8,843	8,279	10,138	9,678
4. Unrealized gains on investments on behalf of life insurance policyholders bearing the investment risk	-	-	-	-	-	-
5. Other technical revenues	-	-	-	-	-	-
6. Other non-technical revenues	19	29	727	516	746	545
7. Positive foreign exchange differences	77,760	105,557	412,504	617,616	490,264	723,173
8. Reversal of the asset impairment provision	-		5,683	-	5,683	-
TOTAL REVENUE FROM INSURANCE BUSINESS	**684,575**	**643,451**	**2,710,095**	**2,579,894**	**3,394,670**	**3,223,345**
II. EXPENSES FROM INSURANCE BUSINESS						
1. Incurred claims for the period, net	(425,214)	(414,842)	(1,413,682)	(1,186,231)	(1,838,896)	(1,601,073)
a) Claims paid and variation in provision for claims, net	(425,205)	(414,832)	(1,413,582)	(1,186,139)	(1,838,787)	(1,600,971)
Direct insurance	-	-	-	-	-	-
Accepted reinsurance	(461,330)	(430,728)	(2,079,549)	(1,869,106)	(2,540,879)	(2,299,834)
Ceded reinsurance	36,125	15,896	665,967	682,967	702,092	698,863
b) Claims-related expenses	(9)	(10)	(100)	(92)	(109)	(102)
2. Variation in other technical provisions, net	(11,599)	-	-	-	(11,599)	-
3. Profit-sharing and return premiums	-	-	-	-	-	-
4. Net operating expenses	(128,745)	(109,326)	(631,450)	(535,986)	(760,195)	(645,312)
a) Acquisition expenses	(137,436)	(125,564)	(915,206)	(738,149)	(1,052,642)	(863,713)
b) Administration expenses	(2,001)	(1,520)	(11,906)	(11,904)	(13,907)	(13,424)
c) Commissions and participation in reinsurance	10,692	17,758	295,662	214,067	306,354	231,825
5. Share in losses from equity-accounted companies	-	-	-	(36)	-	(36)
6. Expenses from investments	(7,084)	(7,855)	(25,860)	(34,397)	(32,944)	(42,252)
a) From operations	(6,486)	(6,854)	(22,810)	(31,744)	(29,296)	(38,598)
b) From equity and financial accounts	(598)	(1,001)	(3,050)	(2,653)	(3,648)	(3,654)
7. Unrealized losses on investments on behalf of life insurance policyholders bearing the investment risk	-	-	-	-	-	-
8. Other technical expenses	(540)	(269)	(1,814)	(2,388)	(2,354)	(2,657)
9. Other non-technical expenses	(346)	(378)	(3,501)	(3,804)	(3,847)	(4,182)
10. Negative foreign exchange differences	(75,878)	(93,519)	(411,374)	(622,343)	(487,252)	(715,862)
11. Allowance to the asset impairment provision	(2)	(132)	(4,764)	(6,708)	(4,766)	(6,840)
TOTAL EXPENSES FROM INSURANCE BUSINESS	**(649,408)**	**(626,321)**	**(2,492,445)**	**(2,391,893)**	**(3,141,853)**	**(3,018,214)**
RESULT FROM THE INSURANCE BUSINESS	**35,167**	**17,130**	**217,650**	**188,001**	**252,817**	**205,131**

E) Financial information by segment – Consolidated income statement for years ended December 31, 2016 and 2015 (continued)

	LIFE REINSURANCE		NON-LIFE REINSURANCE		TOTAL	
	2016	2015	2016	2015	2016	2015
III. OTHER ACTIVITIES	-	-	-	-	-	-
IV. RESULT BEFORE TAXES FROM ONGOING OPERATIONS	**35,168**	**17,130**	**217,649**	**188,001**	**252,817**	**205,131**
V. TAX ON PROFIT FROM ONGOING OPERATIONS	**(12,019)**	**(3,867)**	**(54,738)**	**(48,698)**	**(66,757)**	**(52,565)**
VI. RESULT AFTER TAX FROM ONGOING OPERATIONS	**23,149**	**13,263**	**162,911**	**139,303**	**186,060**	**152,566**
VII. RESULT AFTER TAX FROM DISCONTINUED ACTIVITIES	-	-	-	-	-	-
VIII. RESULT FOR THE PERIOD	**23,149**	**13,263**	**162,911**	**139,303**	**186,060**	**152,566**
1. Attributable to non-controlling interests	14	-	-	-	14	-
2. Attributable to the controlling company	23,163	13,263	162,911	139,303	186,074	152,566

Figures in thousands of euros

F) Financial information by geographic area. Breakdowns to December 31, 2016 and 2015

GEOGRAPHIC AREA	Ordinary revenues from external clients 2016	Ordinary revenues from external clients 2015	Non-current assets 2016	Non-current assets 2015
SPAIN	665,802	614,223	48,170	4,360
UNITED STATES OF AMERICA	596,441	565,582	989	7
BRAZIL	149,112	140,082	6,588	3,192
MEXICO	113,201	128,058	394	483
VENEZUELA	5,489	20,193	342	374
COLOMBIA	103,225	95,387	174	156
ARGENTINA	106,438	93,306	12,513	4,388
TURKEY	157,621	131,047	-	-
CHILE	150,110	161,323	3,066	3,031
OTHER COUNTRIES	2,187,311	1,782,710	12,053	12,407
TOTAL	**4,234,750**	**3,731,911**	**84,289**	**28,398**

Figures in thousands of euros

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

Accepted reinsurance premiums are considered as ordinary revenues.

No client contributes, on an individual basis, more than 10 per cent of the Group's ordinary revenues.

Consolidated Financial Statements

1. General information on the company and its activities

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

The controlling Company was incorporated in Spain, and its registered office is at Paseo de Recoletos no. 25, Madrid.

The controlling Company has central services located in Madrid and four subsidiaries, nine branches and six representative offices with a direct presence in seventeen countries. Its scope of action includes Spain, European Union countries and other countries, mainly in Latin America. This scope of action encompasses all types of business and reinsurance lines.

The controlling Company is a subsidiary of MAPFRE S.A. and forms part of the MAPFRE Group, made up by MAPFRE S.A. and several companies operating in the insurance, financial, movable assets and services industries.

MAPFRE S.A. is a subsidiary of CARTERA MAPFRE, S.L., Sociedad Unipersonal (referred to hereinafter as CARTERA MAPFRE), which is 100 per cent controlled by Fundación MAPFRE.

The consolidated annual accounts have been prepared by the Board of Directors on February 28, 2017. They are expected to be approved at the Annual General Meeting. Spanish regulations provide for the possibility of modifying the annual accounts in the event that these are not approved by the aforementioned governing body.

2. Basis of presentation of the Consolidated Annual Accounts

2.1 BASIS OF PRESENTATION

The Group's consolidated annual accounts have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU), with all companies having implemented the required standardization adjustments for these purposes.

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

There was no early application of the standards and interpretations which, having been approved by the European Commission, had not taken effect as of the closing date of the 2016 financial year. However, their early adoption would not have had any effect on the Group's financial position and results.

2.2 FINANCIAL INFORMATION BY SEGMENT

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

For the identification of the main segments, the main activities and insurance lines managed by the Group have been taken into consideration, as well as the qualitative thresholds established by regulations.

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

2.3 FINANCIAL INFORMATION BY GEOGRAPHIC AREA

Section F of the consolidated annual accounts provides financial information by geographic area.

The established geographic 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 2016 and 2015, there were no changes in accounting policies, estimates or material errors that could have had an effect on the Group's financial position or results.

2.5 COMPARISON OF THE INFORMATION

There is nothing which prevents the comparison of the consolidated annual accounts from financial year 2016 with those of the previous year.

International standards that, having been approved by the European Commission, were in force as of the close of the financial year, were applied in the preparation of the consolidated annual accounts.

As of the date on which the annual accounts for the financial year 2016 were prepared, the following should be highlighted:

- The adoption of IFRS-EU 15 "Revenue from contracts with customers", which came into effect for financial years that begin after January 1, 2018, is not expected to have any material on the financial position and results of the Group.

- With regard to IFRS-EU 9 "Financial Instruments", to be applied for financial years which begin after January 1, 2018, the Group, in accordance with the stipulations of the standard, expects to adhere to the optional deferral outlined for the insurance sector or, if applicable, the possibility established by the European Commission of not applying the standard during a limited period.

- With regard to IFRS 16 issued by the ISAB and pending adoption by the EU, to be applied for financial years which begin after January 1, 2019, an impact assessment on the financial statements for the first year of implementation has been conducted, based on current market conditions and lease contracts in force. The main impacts would be the following:

• Increase in assets and liabilities of approximately 3,306 thousand of euros.

• Decrease in operating expenses and increase in financial expenses of 120,500 euros and 174 thousand of euros respectively. The amount of financial expenses will be progressively reduced, using financial criteria, throughout the estimated period of the contracts.

• Reduction of the result for the period attributable to the controlling Company of 53 thousand of euros. This amount will be fully compensated at the end of the estimated period of the contracts.

2.6 CHANGES IN THE CONSOLIDATION SCOPE

Companies and changes in the consolidation scope in 2016 and 2015, along with their equity data and results, are detailed in Annex 1.

The overall effect of changes on the equity, financial position and consolidated results of the Group in 2016 and 2015 with respect to the previous financial year are described in the notes of the corresponding annual accounts in the consolidated annual report.

In the 2015 financial year, the company "ITSEMAP Servicios Tecnológicos MAPFRE" was removed from the consolidation scope.

2.7 ACCOUNTING JUDGMENTS AND ESTIMATES

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

- Losses due to impairment of certain assets.

- The calculation of provisions for risks and expenses.

- The actuarial calculation of post-employment remuneration commitments and liabilities.

- The useful life of intangible assets and 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 have been deemed most reasonable in each instance. If these reviews were to generate changes in estimates in a given period, their effect would be applied in that period and, if applicable, in subsequent periods.

3. Consolidation

BASIS OF CONSOLIDATION

3.1 CONTROLLED COMPANIES AND ASSOCIATED COMPANIES

The identification of controlled companies and associated companies included in the consolidation is detailed in the acquisitions of controlled companies table, which forms part of the consolidated annual report as Annex 1.

Companies are configured as controlled companies when the controlling Company holds a controlling interest over the investee company, and receives or has the right to variable returns, and the ability to influence said returns through the power that it exercises in said companies.

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

Associated companies are companies in which the controlling Company exercises a significant influence, but which are neither controlled companies not joint ventures.

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. Significant influence is presumed when, either directly or indirectly through its controlled companies, at least 20 per cent of the voting rights in the investee company are held.

The shares in associated companies are consolidated via the equity method, with net goodwill as of the acquisition date included in the equity value.

When the share of the Group in the losses of an associated company is equal to or greater than the book value of the share in said company, including any unsecured accounts receivable, the Group will not record additional losses, unless it has incurred obligations or made payments on behalf of the associated company.

To determine whether an investee company is a controlled company or associate, the purpose and design of the investee company have been considered in order to determine the relevant activities, the way in which decisions are made on these activities, who has the current capacity to direct these activities and who receives their financial returns. The potential voting rights held and those that may be exercised as purchase options on shares, convertible debt instruments or other instruments providing the controlling Company the possibility of increasing their voting rights have also been considered.

The financial statements of the controlled companies and associated companies used for consolidation correspond to the financial year that ended on December 31, 2016 and 2015.

3.2 CONVERSION OF ANNUAL ACCOUNTS OF FOREIGN COMPANIES INCLUDED IN THE CONSOLIDATION

The Group's functional and operating currency is the euro. For this reason, the balances and operations of Group companies with a different functional currency are translated into euros using the closing exchange rate for account balances at the average exchange rate weighted by the volume of transactions. 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 instruments into foreign currency to cover investments in overseas businesses, are presented as a separate component of the "Other comprehensive income consolidated" section and are shown under equity in the "Currency conversion differences" account, deducting the part of the difference that corresponds to non-controlling interests.

Fair value adjustments of assets and liabilities which arose from the acquisition of Group companies whose operating 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 converted at the closing exchange rate.

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

Adjustments to opening balance

The adjustments to opening balance columns in the different tables of the notes on the consolidated annual accounts include the variations that occurred as result of applying a different conversion exchange rate for data on overseas controlled companies.

The variations in technical provisions in the consolidated income statement differ from those that are obtained from the difference in the consolidated balance sheet of the current and previous financial year as a result of applying a different conversion exchange rate in the case of overseas controlled companies.

4. Earnings per share and dividends

4.1 EARNINGS PER SHARE

The basic earnings per share calculation, which coincides with diluted earnings per share as no potential ordinary shares exist, is provided below:

ITEM	2016	2015
Net profit attributable to the shareholders of the controlling company's shareholders (thousands of euros)	186,074	152,566
Average weighted number of outstanding ordinary shares (thousands of shares)	72,231	72,231
Basic earnings per share (euros)	**2.58**	**2.11**

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	
	2016	2015	2016	2015
Interim dividend	90,288,835	90,288,835	1.25	1.25
Final dividend	-	-	-	-
TOTAL	**90,288,835**	**90,288,835**	**1.25**	**1.25**

(Figures in Euros)

The total dividend for 2016 was proposed by the Board of Directors and is pending approval at the Ordinary Annual General Meeting.

The planned distribution of dividends complies with the requirements and limitations established by legal regulations and in the articles of association.

In 2016, the controlling Company distributed two interim dividends equivalent to a total amount of 90,288,835 euros, which is recorded in equity under the element "Interim dividend". The liquidity statements prepared by the Board of Directors for the distribution of the two interim dividends agreed on in 2016 are provided below.

ITEM	DATE OF RESOLUTION	
	31/03/2016	31/10/2016
Cash available on date of resolution	**216,937**	**195,400**
Increases in cash forecast within one year	**200,000**	**300,000**
(+) From expected current collection transactions	150,000	200,000
(+) From financial transactions	50,000	100,000
Decreases in cash forecast within one year	**(290,449)**	**(249,839)**
(-) From expected current payment transactions	(150,000)	(100,000)
(-) From expected financial transactions	(100,000)	(100,000)
(-) Due to payment of interim dividend	(40,449)	(49,839)
Cash available within one year	**126,448**	**245,561**

Figures in thousands of euros

5. Accounting policies

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

5.1 INTANGIBLE ASSETS

Other intangible assets

INTANGIBLE ASSETS FROM AN INDEPENDENT ACQUISITION

The intangible assets acquired by 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 impairment of asset tests are undertaken at least once a year.

INTERNALLY GENERATED INTANGIBLE ASSETS

Investigation expenses are directly recognized in the consolidated income statement for the year in which they are incurred. 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 expected to be obtained, notwithstanding the valuation that would be made in the event of posible deterioration.

5.2 PROPERTY, PLANT AND EQUIPMENT AND PROPERTY INVESTMENTS

Property, plant and equipment and property investments are valued at their acquisition cost minus their cumulative depreciation and, if applicable, accumulated losses due to impairment.

The costs following their acquisition are recognized as an asset only when it is probable that the future economic profits associated with them will be returned to the Group, and the cost of the item can be determined in a reliable way. All other expenses associated with maintenance and repairs are charged to the consolidated income statement during the year in which they are incurred.

The amortization of the property, plant and equipment and property investment items 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.

ITEM GROUP	Years	Annual ratio
Buildings and other structures	50-25	2%-4%
Transport items	6,25	16%
Furniture	10	10%
Fittings	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 year.

The property, plant and equipment or property investment items are written off from the accounting when they are transferred or future profits derived from their continuous use is not expected to be obtained. The gains or losses resulting from writing-off the aforementioned items are included on the consolidated income statement.

5.3 LEASING

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

5.4 FINANCIAL INVESTMENTS

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 capital instruments of companies that are not controlled companies, associates or joint ventures, and that have not been included in the "Trading portfolio".

TRADING PORTFOLIO

This portfolio includes original or acquired financial assets with the objective of realizing them in the short term, that are part of a portfolio of financial instruments identified and managed jointly, for which there is proof of recent actions to obtain gains in the short term.

Derivative instruments not assigned to a coverage operation and hybrid financial assets completely assessed at their fair value also form part of this portfolio.

In hybrid financial assets that include, at the same time, a main contract and a financial derivative, both components are separated and treated independently for the purpose of classifying and valuing them. Exceptionally, when this separation is not possible, hybrid financial assets are assessed at their fair value.

Valuation

In their initial recognition on the balance sheet, all financial investments that form part of the aforementioned portfolios are recognized at the fair value of the remuneration provided plus, in the case of financial investments not classified in the "Trading portfolio", the transaction costs that are directly attributable to their acquisition.

Following the initial recognition, the financial investments are assessed at their fair value, without deducting any transaction costs which may be incurred in their sale or any other form of disposal, with the following exceptions: financial assets that are capital instruments whose fair value cannot be reliably estimated, as well as derivatives which have these instruments as underlying assets and are settled through the delivery of said assets, which are valued at cost.

The fair value of financial investments, including financial derivatives classified in the "Trading portfolio", is the price that would be received for selling a financial asset or that would be paid for transferring a financial liability through a transaction ordered between participants in the market on the valuation date (Quoted price-Level 1). When the aforementioned quoted price is unavailable, the fair value is determined, if there is observable market data, by updating the future financial cash flows, including the redemption value at rates equivalent to the interest rates of swaps in euros, increased or decreased by the differential derived from the credit rating of the issuer and standardized based on the credit quality of the issuer and the maturity term (Level 2). If observable market data is not available, other valuation 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 valuation from an independent financial company.

Impairment

The book value of the financial investments is corrected through a charge to the consolidated income statement when there is objective evidence that an event has occurred which entails a negative impact on its future cash flows, 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 their book value and the current value of its future estimated 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 rating and the degree of solvency of the issuers, proceeding to record the impairment if it is considered that the risk of default is 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 over a prolonged period (18 months) or materially (40 per cent) in terms of its cost.

The amount of estimated losses due to impairment is recognized in the consolidated income statement, also including any reduction of the fair value of the investments previously recognized in "Revaluation adjustments". 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 previous years is not recognized in the income statement, but rather any increase in value is allocated directly to equity.

In the case of financial swaps of cash flow exchanges, the amounts accrued for main operations are recognized, accounting for the resulting cash flow amounts under the headings "Other financial liabilities" or "Corporate and other receivables" 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 such evidence exists, the recoverable value of the asset is estimated.

For assets that are not fit for 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 in the recoverable value of an asset other than 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 book value net of amortization that would be recorded had an impairment loss not been recognized in previous years. The reversal is recognized in the consolidated income statement, unless the asset has already been revalued against "Revaluation adjustments", in which case the reversal is treated as a revaluation increase. Following this reversal, the amortization cost is adjusted for subsequent periods.

5.6 RECEIVABLES

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 stated impairments of the value.

For cases in which there is objective evidence that a loss was incurred due to impairment, the corresponding provision has been 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 in 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 basis of calculation are the balances pending collection with each reinsurance company and, depending on the corresponding time period, the provision is 50 per cent for six-month balances and 100 per cent for balances due more than nine months ago. Similarly, the balances with reinsurance companies in the settlement process are taken into account. The impairment is recognized in the consolidated income statement.

5.7 CASH

This item consists of cash and cash equivalents.

Cash consists of cash flow and sight bank deposits.

Cash equivalents correspond to highly liquid short-term investments (maximum three months) 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 essentially included under the "Accrual Adjustments" element 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 form, the amounts of fees and other acquisition expenses for ceded reinsurance that must be allocated to the year or following years in accordance with the coverage period of the ceded policies are included under the "Accrual Adjustments" element of the liability.

5.9 REINSURANCE OPERATIONS

A) Premiums

ACCEPTED AND RETROCEDED REINSURANCE

Premiums corresponding to accepted reinsurance are accounted for based on the accounts received from the ceding companies.

Retroceded reinsurance operations are recorded using the same criteria as that applied for accepted reinsurance, and according to the retrocession contracts signed.

B) Technical provisions

B.1) ACCEPTED REINSURANCE

Provision for unearned premiums

Accepted reinsurance operations are accounted for based on the accounts received from the ceding companies. If, when closing the accounting, the last account from the cedent 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 claims payments, as they are related to a certain loss which cannot be compensated by non-closed account transactions, the provision is adjusted by the corresponding amount.

When the last statement and report of pending claims is available, the provisions of non-closed accounts are paid, providing the provisions for unearned premiums according to the information sent by the cedent, repaying contract by contract.

If they are not available, the amount of the deposit of retained premiums for this item will be accounted for as the provision for unearned premiums. As a last resort, an overall premium prepayment method is used.

The acquisition expenses communicated by the cedents are subject to prepayment, and are included under the "Accrual Adjustments" element of the asset in the consolidated balance sheet, with these expenses corresponding to those actually incurred in the period. When the cedents do not communicate the acquisition expense amounts, they are prepaid risk by risk for the proportional facultative reinsurance and overall for the rest of the proportional business.

Provision for unexpired risks

The provision for unexpired risks is calculated by business line, and supplements the provision for unearned premiums in the extent to which this is not sufficient to reflect the valuation of risks and expenses to be covered that correspond to the coverage period that has not elapsed as of the closing date.

Provision for outstanding claims

Provisions for outstanding claims are provided for the amounts communicated by the cedent or, failing this, for the deposits retained, and include additional provisions for claims made that were not communicated, as well as for deviations of existing claims based on prior experience.

B.2) RETROCEDED REINSURANCE

Retroceded reinsurance operations and their corresponding technical provisions are recorded using the same criteria as those applied for accepted reinsurance, based on the signed retrocession contracts.

B.3) LIABILITY ADEQUACY TEST

The recorded technical provisions are usually subject to a reasonableness test for the purpose of determining their sufficiency on the basis of projections of all future cash flows of current contracts. If, as a result of this test, it is noted that the provisions are insufficient, they are adjusted and charged to the result for the period.

C) Claims ratio

Claims corresponding to accepted reinsurance are accounted for based on the accounts received from the cedent companies, and on the information obtained from prior experience.

Claims corresponding to ceded and retroceded reinsurance are recorded according to the signed reinsurance contracts and under the same criteria applied for accepted reinsurance.

D) Most significant assumptions and other sources for estimating uncertainties

With regard to assets, liabilities, revenue and expenses derived from insurance contracts, as a general rule, the assumptions that served as a basis for issuing these contracts, and that are specified therein, are used.

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

The main assumption is based on the behavior and development of the claims, using their frequency and costs in recent years. Likewise, delays in paying claims and any other external factor that could affect the estimates are taken into account in the estimates, as well as assumptions on interest rates and foreign currency exchange rates.

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 for the valuation of future cash flows.

There were no material changes made to the assumptions derived to assess the insurance contracts throughout the year.

E) Impairment

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

5.10 PROVISIONS FOR RISKS AND EXPENSES

Provisions are recognized when there is a current obligation (either 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, and the reimbursement is recognized as a separate asset.

5.11 DEBT

The entries included under the "Debt" element are generally valued at the amortized cost, using the effective interest rate method.

For debts with a maturity exceeding one year and when the parties have not expressly agreed on the applicable interest rate, the debts are discounted by taking, as the implicit interest rate, the current market rate for public debt securities with the same or similar term as the maturity of the debt, notwithstanding the consideration of the corresponding risk premium.

5.12 GENERAL CRITERIA FOR REVENUE AND EXPENSES

The general principle for recognizing revenue and expenses is the accrual basis, according to which the revenue and expenses are allocated according to the actual flow of goods and services that they represent, regardless of the date of the monetary or financial flow derived from them.

5.13 REMUNERATION TO EMPLOYEES

Remuneration to employees can be short term, post-employment benefits, compensation for termination, or other share-based medium or long-term Remuneration and payments.

a) Short-term remuneration

These are accounted for according to the services provided by employees on an accrual basis.

b) Post-employment benefits

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

Defined contribution plans

These are post-employment benefit plans in which the company involved makes predetermined 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 defined contribution plans.

The liability recognized in the balance sheet for defined benefit pension plans, recorded under the "Provisions for risks and expenses" element, is equal to the actual value of the defined benefits obligation 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 defined benefits obligation is determined separately for each plan using the actuarial valuation method of the projected unit credit.

Actuarial losses and gains are registered as equity.

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

c) Compensation for termination

Compensation for termination is recognized as a liability and expense when there is a demonstrable agreement to terminate the employment relationship prior to the normal date of retirement of the employee, or when there is an offer to encourage voluntary termination of the contracts.

d) Other share-based medium and long-term remuneration and payments

The accounting record for other long-term remuneration, separate from those described in the prior paragraphs and referring specifically to the years of service or time with the company bonus, 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 "Provisions for risks and expenses" element, and actuarial gains and losses which are recorded in the income statement.

In 2013, an exceptional medium-term incentive plan was approved for certain members of the Group's executive team. The plan was not cumulative and was multi-year, commencing on January 1, 2013 and ending on March 31, 2016. The payment of incentives from this plan has been subject to the fulfillment of certain corporate and specific objectives, as well as maintaining the employment relationship until the termination date of the plan. At the end of each financial year, the fulfillment of the objectives is evaluated, recording the amount accrued in each year in the consolidated income statement, with payment to a provisions account. This plan was settled at the close of the financial year 2016.

In 2016, a new exceptional medium-term incentive plan was approved for certain members of MAPFRE's executive team.

The plan is not consolidable and is multi-year, commencing on January 1, 2016 and ending on March 31, 2019, with deferral in the payment of part of the incentives until the 2020-2022 period. The payment of incentives is subject to the fulfillment of certain corporate and specific objectives, as well as the continued employment of beneficiaries of the plan in the Group. This payment will be made partially in cash (50 per cent) and partially through the delivery of shares in MAPFRE S.A. (50 per cent), and is subject to reduction or retrieval clauses. At the end of each financial year, the fulfillment of the objectives is evaluated, and the amount accrued is recorded in the consolidated income statement, with payment to a liabilities account for the cash remuneration and an equity account for the part corresponding to equity instruments. The valuation of the incentive to be received in MAPFRE S.A. shares is conducted taking into account the fair value of the equity instruments allocated as of the date of their concession, considering the terms and conditions of the plan.

Each year, during the irrevocability period of the concession, the number of equity instruments included in the determination of the transaction amount is adjusted. Following the irrevocability period of the concession, additional adjustments will not be made.

The Group used to have an incentive plan that was indexed to the MAPFRE S.A. share price, payable in cash, revocable in accordance with continuation in the Group's executive team, and was valued at the moment in which it was granted (2007), in accordance with an option valuation method. The assessed cost has been allocated as a personnel expense item in results during the employee's vesting period, while a liability in favor of the employee is recognized as an offsetting entry. At the end of each financial year, the liability is assessed at its fair value, and any change in valuation during the financial year is allocated to the consolidated income statement. At the end of 2016, the share price was below the benchmark price of this plan, and for that reason no rights have been exercised and the plan has been terminated.

5.14 REVENUE AND EXPENSES FROM INVESTMENTS

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

Revenue and expenses from financial investments 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 in the consolidated income statement, distinguishing between the part attributable to returns —which is recorded as interest or, if applicable, as dividends— and the part that is recorded as realized and unrealized gains.

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 recorded. In these cases, they are registered in the consolidated income statement.

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

5.15 RECLASSIFICATION OF EXPENSES BY TYPE, DESTINATION AND ALLOCATION TO AREAS OF ACTIVITY

The criteria to follow for reclassifying expenses by destination are mainly based on the tasks performed by each employee, distributing their direct and indirect cost according to these tasks.

For expenses that are not directly or indirectly related to personnel, individual studies are conducted, allocating these expenses to the destination according to the task performed with said expenses.

The established destinations are as follows:

- Claims-related expenses: Proportionally to the average claims ratio.
- Investment-related expenses: Proportionally to the average technical provisions.
- Other technical expenses: Direct allocation.
- Other non-technical expenses: Direct allocation.
- Acquisition expenses: Proportionally to average premiums.
- Administration expenses: Proportionally to average premiums.

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 month of the period. Subsequently, at the end of each month, they are all treated as if they were a single operation, being converted at the exchange rate in force at that time and recording the resulting difference in the consolidated income statement.

At year end, the existing balances denominated in foreign currencies are converted at the exchange rate of the functional currency on that date, and all exchange differences are recorded in the consolidated income statement. The only exception is those which are directly allocated to "Currency conversion 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 TAX ON PROFITS

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 tax on profits, the balance sheet method is followed, whereby the corresponding assets and liabilities that are necessary for deferred tax 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 their tax valuation. Similarly, the long-term deferred assets and liabilities are assessed according to the rates that will be applicable in the years in which the assets are expected to be realized 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, in the extent to which they are recoverable, the registration of a deferred tax asset.

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

6. Breakdown of consolidated report

6.1 INTANGIBLE ASSETS

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

2016

ITEMS	Opening balance 2016	Adjustments to opening balance	Changes in the consolidation scope	Additions or provisions	Disposals, retirements or reductions	Closing balance 2016
GOODWILL						
OTHER INTANGIBLE ASSETS	7,778	6	-	26	(319)	7,491
Portfolio acquisition expenses	-	-	-	-	-	-
Computer applications	7,778	6	-	26	(319)	7,491
Other	-	-	-	-	-	-
COST	7,778	6	-	26	(319)	7,491
CUMULATIVE DEPRECIATION	-	-	-	-	-	-
OTHER INTANGIBLE ASSETS	(6,744)	(6)	-	(484)	319	(6,915)
Portfolio acquisition expenses	-	-	-	-	-	-
Computer applications	(6,744)	(6)	-	(484)	319	(6,915)
Other	-	-	-	-	-	-
CUMULATIVE DEPRECIATION	(6,744)	(6)	-	(484)	319	(6,915)
IMPAIRMENT		-	-	-	-	-
GOODWILL	-	-	-	-	-	-
OTHER INTANGIBLE ASSETS	-	-	-	-	-	-
Portfolio acquisition expenses	-	-	-	-	-	-
Computer applications	-	-	-	-	-	-
Other	-	-	-	-	-	-
IMPAIRMENT	**-**	**-**	**-**	**-**	**-**	**-**
NET GOODWILL SUBTOTAL	**-**	**-**	**-**	**-**	**-**	**-**
NET OTHER INTANGIBLE ASSETS SUBTOTAL	**1,034**	**-**	**-**	**(458)**	**-**	**576**
NET INTANGIBLE ASSETS TOTAL	**1,034**	**-**	**-**	**(458)**	**-**	**576**

Figures in thousands of euros

2015

ITEMS	Opening balance 2015	Adjustments to opening balance	Changes in the consolidation scope	Additions or provisions	Disposals, retirements or reductions	Closing balance 2015
GOODWILL	-	-	-	-	-	-
OTHER INTANGIBLE ASSETS	7,561	(7)	-	224	-	7,778
Portfolio acquisition expenses	-	-	-	-	-	-
Computer applications	7,561	(7)	-	224	-	7,778
Other	-	-	-	-	-	-
COST	7,561	(7)	-	224	-	7,778
CUMULATIVE DEPRECIATION	-	-	-	-	-	-
OTHER INTANGIBLE ASSETS	(6,062)	8	-	(690)	-	(6,744)
Portfolio acquisition expenses	-	-	-	-	-	
Computer applications	(6,062)	8	-	(690)	-	(6,744)
Other	-	-	-	-	-	
CUMULATIVE DEPRECIATION	(6,062)	8	-	(690)	-	(6,744)
IMPAIRMENT	-	-	-	-	-	-
GOODWILL	-	-	-	-	-	-
OTHER INTANGIBLE ASSETS	-	-	-	-	-	-
Portfolio acquisition expenses	-	-	-	-	-	-
Computer applications	-	-	-	-	-	-
Other	-	-	-	-	-	-
IMPAIRMENT	**-**	**-**	**-**	**-**	**-**	**-**
NET GOODWILL SUBTOTAL	**-**	**-**	**-**	**-**	**-**	**-**
NET OTHER INTANGIBLE ASSETS SUBTOTAL	**1,499**	**1**	**-**	**(466)**	**-**	**1,034**
NET INTANGIBLE ASSETS TOTAL	**1,499**	**1**	**-**	**(466)**	**-**	**1,034**

Figures in thousands of euros

The main "entries" for the 2016 financial year correspond principally to the development of proprietary applications ("Quotations 2016" and "Condor 2015").

The main "eliminations" for the 2016 financial year correspond to the write-off of the totally depreciated fixed assets.

The main "entries" for the 2015 financial year correspond to the development of proprietary applications ("Business analysis by reinsurer", "Condor BI Capital Model" and "Condor 2015").

Below, the useful life and depreciation ratios used for the following intangible assets, for which a linear method of amortization has been applied in all cases, are indicated as follows:

ITEM GROUP	Useful life (years)	Depreciation ratio (annual)
Technology applications	4	25%

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

There are fully depreciated items which amount to 5,750 thousand of euros in 2016 and 5,317 thousand of euros in 2015.

6.2 PROPERTY, PLANT AND EQUIPMENT AND PROPERTY INVESTMENT

Property, plant and equipment

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

2016

ITEMS	Opening balance 2016	Adjustments to opening balance	Changes in the consolidation scope	Additions or provisions	Disposals, retirements or reductions	Closing balance 2016	Market value
COST							
PROPERTY FOR OWN USE	9,622	332	-	42,711	-	52,665	49,843
Land and natural resources	2,423	-	-	27,793	-	30,216	29,305
Buildings and other structures	7,199	332	-	14,918	-	22,449	20,538
OTHER PROPERTY, PLANT AND EQUIPMENT	8,239	177	-	2,966	(170)	11,212	4,765
Vehicles	664	10	-	-	(105)	569	242
Furniture and fittings	3,436	76	-	2,267	(1)	5,778	2,456
Other property, plant and equipment	4,139	91	-	699	(64)	4,865	2,067
Advances and construction in progress	-	-	-	-	-	-	-
TOTAL COST	**17,861**	**509**	**-**	**45,677**	**(170)**	**63,877**	**54,608**
CUMULATIVE DEPRECIATION	-	-	-	-	-	-	-
PROPERTY FOR OWN USE	(1,517)	(74)	-	(116)	18	(1,689)	-
OTHER PROPERTY, PLANT AND EQUIPMENT	(5,609)	(148)	-	(734)	44	(6,447)	-
TOTAL CUMULATIVE DEPRECIATION	**(7,126)**	**(222)**	**-**	**(850)**	**62**	**(8,136)**	**-**
IMPAIRMENT							
PROPERTY FOR OWN USE	(724)	-	-	(500)	-	(1,224)	-
Land and natural resources	-	-	-	-	-	-	-
Buildings and other structures	(724)	-	-	(500)	-	(1,224)	-
OTHER PROPERTY, PLANT AND EQUIPMENT	-	-	-	-	-	-	-
Vehicles	-	-	-	-	-	-	-
Furniture and fittings	-	-	-	-	-	-	-
Other property, plant and equipment	-	-	-	-	-	-	-
Advances and construction in progress	-	-	-	-	-	-	-
TOTAL IMPAIRMENT	**(724)**	**-**	**-**	**(500)**	**-**	**(1,224)**	**-**
TOTAL OWNED PROPERTY	**7,381**	**258**	**-**	**42,095**	**18**	**49,752**	**49,843**
TOTAL OTHER PROPERTY, PLANT AND EQUIPMENT	**2,631**	**29**	**-**	**2,232**	**(126)**	**4,765**	**4,765**
TOTAL PROPERTY, PLANT AND EQUIPMENT	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Figures in thousands of euros

2015

ITEMS	Opening balance 2015	Adjustments to opening balance	Changes in the consolidation scope	Additions or provisions	Disposals, retirements or reductions	Closing balance 2015	Market value
COST							
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	1,979
Vehicles	846	(5)	-	-	(177)	664	319
Furniture and fittings	3,385	(41)	-	97	(5)	3,436	1,037
Other property, plant and equipment	3,340	(97)	-	920	(24)	4,139	623
Advances and construction in progress	-	-	-	-	-	-	-
TOTAL COST	**18,010**	**(536)**	**-**	**1,017**	**(630)**	**17,861**	**11,057**
CUMULATIVE DEPRECIATION		-	-	-	-	-	-
PROPERTY FOR OWN USE	(1,578)	14	-	(96)	143	(1,517)	-
OTHER PROPERTY, PLANT AND EQUIPMENT	(5,371)	111	-	(514)	165	(5,609)	-
TOTAL CUMULATIVE DEPRECIATION	**(6,949)**	**125**	**-**	**(610)**	**308**	**(7,126)**	**-**
IMPAIRMENT		-	-	-	-		-
PROPERTY FOR OWN USE	-	-	-	(724)	-	(724)	-
Land and natural resources	-	-	-	-	-		-
Buildings and other structures	-	-	-	(724)	-	(724)	-
OTHER PROPERTY, PLANT AND EQUIPMENT	-	-	-	-	-		-
Vehicles	-	-	-	-	-		-
Furniture and fittings	-	-	-	-	-		-
Other property, plant and equipment	-	-	-	-	-		-
Advances and construction in progress	-	-	-	-	-		-
TOTAL IMPAIRMENT	**-**	**-**	**-**	**(724)**	**-**	**(724)**	**-**
TOTAL OWNED PROPERTY	**8,861**	**(379)**	**-**	**(96)**	**(281)**	**7,381**	**9,078**
TOTAL OTHER PROPERTY, PLANT AND EQUIPMENT	**2,200**	**(32)**	**-**	**503**	**(41)**	**2,631**	**1,979**
TOTAL PROPERTY, PLANT AND EQUIPMENT	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Figures in thousands of euros

In the 2016 financial year, the main "entries" correspond to the purchase from Fundación MAPFRE of the entity's corporate headquarters, located at Paseo de Recoletos 25, for the amount of 41,500 thousand of euros, in accordance with the comparison made between two independent appraisals conducted in May and June of 2016. In the 2015 financial year, the main "entries" corresponded to the purchase of equipment for IT processes.

In the 2016 financial year, the main "disposals" produced were due to the sale of transport items, and in 2015 this corresponded to the sale of two properties in Mexico.

The impairment entries in 2016 corresponded to the recorded losses as a result of valuations of a property located in Italy, and in 2015 to the impairment produced in a property located in Venezuela due to the devaluation of the bolivar.

Impairment losses are registered in the "Allowance to the asset impairment provision" account.

The cost of fully depreciated property, plant and equipment items at the end of the 2016 and 2015 financial years reached 2,736 thousand of euros and 2,953 thousand of euros respectively.

Property Investment

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

2016

ITEMS	Opening balance 2016	Adjustments to opening balance	Changes in the consolidation scope	Additions or provisions	Disposals, retirements or reductions	Closing balance 2016	Market value
COST							
INVESTMENT IN PROPERTY	8,972	156	-	1,279	-	10,407	7,832
Land and natural resources	1,715	34	-	384	-	2,133	2,620
Buildings and other structures	7,257	122	-	895	-	8,274	5,212
OTHER PROPERTY INVESTMENTS	-	-	-	-	-	-	-
TOTAL COST	**8,972**	**156**	**-**	**1,279**	**-**	**10,407**	**7,832**
CUMULATIVE DEPRECIATION							
INVESTMENT IN PROPERTY	(3,820)	(309)	-	(49)	146	(4,032)	-
OTHER PROPERTY INVESTMENTS	-	-	-	-	-	-	-
TOTAL CUMULATIVE DEPRECIATION	**(3,820)**	**(309)**	**-**	**(49)**	**146**	**(4,032)**	**-**
IMPAIRMENT							
INVESTMENT IN PROPERTY	-	-	-	-	-	-	-
Land and natural resources	-	-	-	-	-	-	-
Buildings and other structures	-	-	-	-	-	-	-
OTHER PROPERTY INVESTMENTS	-	-	-	-	-	-	-
TOTAL IMPAIRMENT	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL PROPERTY INVESTMENT	**5,152**	**(153)**	**-**	**1,230**	**146**	**6,375**	**7,832**

Figures in thousands of euros

2015

ITEMS	Opening balance 2015	Adjustments to opening balance	Changes in the consolidation scope	Additions or provisions	Disposals, retirements or reductions	Closing balance 2015	Market value
COST							
INVESTMENT IN 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 PROPERTY INVESTMENTS	-	-	-	-	-	-	-
TOTAL COST	**9,056**	**(84)**	**-**	**-**	**-**	**8,972**	**6,622**
CUMULATIVE DEPRECIATION							
INVESTMENT IN PROPERTY	(3,638)	9	-	(191)	-	(3,820)	-
OTHER PROPERTY INVESTMENTS	-	-	-	-	-	-	-
TOTAL CUMULATIVE DEPRECIATION	**(3,638)**	**9**	**-**	**(191)**	**-**	**(3,820)**	**-**
IMPAIRMENT							
INVESTMENT IN PROPERTY	-	-	-	-	-	-	-
Land and natural resources	-	-	-	-	-	-	-
Buildings and other structures	-	-	-	-	-	-	-
OTHER PROPERTY INVESTMENTS	-	-	-	-	-	-	-
TOTAL IMPAIRMENT	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL PROPERTY INVESTMENT	**5,418**	**(75)**	**-**	**(191)**	**-**	**5,152**	**6,622**

Figures in thousands of euros

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

Further, the majority of property is subject to coverage of technical provisions and appraisals are performed on a regular basis, as established by the regulatory bodies of the insurance activities, for a review of their valuation.

Impairment losses for the year are recorded in the "Allowance to the asset impairment provision" and the reversal in the "Reversal of the asset impairment provision" element of the consolidated income statement. During 2016 and 2015, there have been no allocations in these accounts.

Property investment revenue and expenses in the last two years are detailed in the following table:

ITEM	INVESTMENTS IN					
	OPERATION		EQUITY		TOTAL	
	2016	2015	2016	2015	2016	2015
Revenues from property investments						
From rentals	477	253	1	-	478	253
Gains on disposals	-	-	-	-	-	-
TOTAL REVENUE FROM PROPERTY INVESTMENTS	**477**	**253**	**1**	**-**	**478**	**253**
Property investment expenses						
Direct operating expenses	(62)	(62)	-	-	(62)	(62)
Other expenses	(37)	(37)	-		(37)	(37)
TOTAL EXPENSES FROM PROPERTY INVESTMENTS	**(99)**	**(99)**	**-**	**-**	**(99)**	**(99)**

Figures in thousands of euros

6.3 LEASING

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

ASSET TYPE	NET BOOK VALUE		TERM OF THE CONTRACT		MAXIMUM YEARS ELAPSED	
	2016	2015	2016	2015	2016	2015
Belgium property	3,457	3,602	14	15	13	14
Chile property	1,639	1,550	1	1	Renewable annually	Renewable annually
Mansardas R-25	1,279		4		Renewable annually	Renewable annually
TOTAL	**6,375**	**5,152**				

Figures in thousands of euros

The future minimum collections to receive for non-cancellable operating leases as of December 31 in the last two years are as follows:

MINIMUM COLLECTIONS	2016	2015
Less than one year	959	619
More than one year but less than five	4,401	2,361
More than five years	3,026	2,978
Total	**8,386**	**5,958**

Figures in thousands of euros

No contingent payments are recorded as revenue in the 2016 and 2015 financial years.

In 2015, the group leased the corporate headquarters made up of several floors of a building located at Calle Barbara de Braganza no. 14. The lease payments in 2016 and 2015 reached 2,636 thousand of euros and 2,656 thousand of euros respectively.

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

MINIMUM PAYMENTS	2016	2015
Less than one year	280	2,656
More than one year but less than five	-	-
More than five years	-	-
Total	**280**	**2,656**

Figures in thousands of euros

No contingent payments were recorded as expenses in the financial years 2016 and 2015.

6.4 FINANCIAL INVESTMENTS

As of December 31, 2016 and 2015, the composition of financial investments is as follows:

ITEM	BOOK VALUE	
	2016	2015
AVAILABLE-FOR-SALE PORTFOLIO		
Shares	220,816	192,596
Fixed income	2,995,085	2,821,734
Mutual Funds	173,146	136,445
Other	-	-
TOTAL AVAILABLE-FOR-SALE PORTFOLIO	**3,389,047**	**3,150,775**
TRADING PORTFOLIO		
Other investments		
Shares	80	84
Fixed income	3,384	-
Mutual Funds	32,183	38,381
Other	-	-
TOTAL TRADING PORTFOLIO	**35,647**	**38,465**

Figures in thousands of euros

The fair value assessments 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 in their assessment:

– 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 assessed, or other assessment techniques in which all the significant variables are based on observable market data. The assessment is carried out via a model that discounts future cash flows using a yield curve with two main components:

- Zero coupon swap curve of the currency in which the issue is denominated, which is considered to be the best approximation to the risk-free interest rate.

- Spread 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 , Liquidity and Optionality Risk.

– Level 3. Other valuations: Specific variables for each case. The financial assets at this level represent 0.11 per cent of the total portfolio assessed at fair value. For these purposes, it is possible to distinguish between:

• Equities, where in general the realizable value is estimated according to the individual characteristics of the asset.

• Fixed-income assets with complex future cash 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 assessed by requesting a benchmark valuation from third party.

Changes in the observable variables used in the aforementioned individual valuations would not materially alter the fair value obtained.

The valuation process for financial assets is as follows:

a) When an 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 local and international accounting and insurance legislation.

b) The accounting nature of the portfolios dictates the type of accounting valuation. However, all assets are subject to a market valuation at least on a monthly basis, with the valuation methods being those described previously: quotation price in active markets (Level 1); based on observable market data such as prices, quotations for similar assets, discounted cash flows based on the yield curve of the issuer, etc. (Level 2); and through specific valuations not based on market variables (Level 3).

c) The valuations are performed directly by the company, although in some countries an independent financial institution conducts these valuations in line with the local regulations.

The valuation 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. analyses the value of all investments, and capital gains and losses.

With regard to the sensitivity of fair value assessments, changes in the non-observable variables used in the aforementioned individual valuations would not materially 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 to Level 1 if a reasonable quotation source is verified.

3. Assets are transferred to Level 3 when there is no longer any observable market data.

a) Available-for-sale portfolio

The investments subject to the available-for-sale portfolio as of December 31, 2016 and 2015, are indicated below:

ITEM	MARKET VALUE (BOOK VALUE)						TOTAL		IMPAIRMENT			
	LEVEL 1. QUOTATION PRICE		LEVEL 2. OBSERVABLE DATA		LEVEL 3. OTHER VALUATIONS				RECORDED LOSS		REVERSAL GAINS	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Shares	217,016	192,596	-	-	3,800	-	220,816	192,596	-	-	-	-
Fixed income	2,896,228	2,715,947	98,858	105,787	-	-	2,995,085	2,821,734	(2)	(2)	-	-
Mutual Funds	173,146	136,445	-	-	-	-	173,146	136,445	-	-	-	-
Total available-for-sale portfolio	**3,286,390**	**3,044,988**	**98,858**	**105,787**	**3,800**	**-**	**3,389,047**	**3,150,775**	**(2)**	**(2)**	**-**	**-**

Figures in thousands of euros

The impairment in 2016 and 2015 includes the loss on investments available for sale in Chile.

The change in valuation adjustments of portfolio investments amounted to (2.55) million and (52.97) million euros as of December 31, 2016 and 2015 respectively, which have been recorded as equity net of tax.

Transfers to the consolidated income statement of valuation adjustments for portfolio investments in previous years, carried-out during 2016 and 2015, reach a net amount of (26.32) and (27.95) million euros, respectively.

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

There have been no variations in valuation techniques of Levels 2 and 3. (Observable data and Other valuations).

During 2016, there was the acquisition of shares classified in Level 3 for 3,800 thousand of euros.

b) Trading portfolio

The investments subject to the trading portfolio, as of December 31, 2016 and 2015, are detailed below:

ITEM	MARKET VALUE						BOOK VALUE (FAIR VALUE)		GAINS (LOSSES) ALLOCATED TO RESULTS			
	LEVEL 1. QUOTATION PRICE		LEVEL 2. OBSERVABLE DATA		LEVEL 3. OTHER VALUATIONS				UNREALIZED		REALIZED	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
OTHER TRADING PORTFOLIO INVESTMENTS												
Shares	-	-	80	84	-	-	80	84	-	-	-	-
Fixed income	3,384	-	-	-	-	-	3,384	-	-	-	25	-
Mutual Funds	32,183	38,381	-	-	-	-	32,183	38,381	-	-	(56)	(219)
Other	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL OTHER INVESTMENTS	**35,567**	**38,381**	**80**	**84**	**-**	**-**	**35,647**	**38,465**	**-**	**-**	**(31)**	**(219)**
TOTAL TRADING PORTFOLIO	**35,567**	**38,381**	**80**	**84**	**-**	**-**	**35,647**	**38,465**	**-**	**-**	**(31)**	**(219)**

Figures in thousands of euros

The gains and losses of the trading portfolio are recorded in the income statement, information is available in Note 6.14 "Revenue and expenses from investments".

Note 7 "Risk management" details the maturity of fixed-income securities.

6.5 RECEIVABLES

The following table shows the breakdown of the "Receivables" element as of December 31, 2016 and 2015, as well as impairment losses and reversal gains registered in the last two years:

ITEM	GROSS AMOUNT		IMPAIRMENT		NET BALANCE ON BALANCE SHEET		IMPAIRMENT				GUARANTEES RECEIVED	
							RECORDED LOSSES		REVERSAL GAINS			
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
I. Receivables on reinsurance operations	293,825	463,088	(10,674)	(11,592)	283,151	451,496	(4,765)	(6,113)	5,683	-	-	-
II. Tax receivables	17,087	8,938	-	-	17,087	8,938	-	-	-	-	-	-
III. Corporate and other receivables	5,734	3,249	-	-	5,734	3,249	-	-	-	-	-	-
TOTAL	**316,646**	**475,275**	**(10,674)**	**(11,592)**	**305,972**	**463,683**	**(4,765)**	**(6,113)**	**5,683**	**-**	**-**	**-**

Figures in thousands of euros

The balances included in the "Receivables" element do not accrue interest, and their settlement is generally produced in the following year.

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

The calculation and, if applicable, recognition of impairments is performed as detailed in Note 5.6 "Receivables" in this annual report.

The breakdown of the "Corporate and other receivables" element at the closing of the last two years is presented below:

CORPORATE AND OTHER RECEIVABLES	AMOUNT	
	2016	2015
Receivables for claims recovery	84	84
Balance receivables from personnel	1,703	1,538
Other debtors	3,947	1,627
Total	**5,734**	**3,249**

Figures in thousands of euros

6.6 ASSET IMPAIRMENT

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

2016

IMPAIRMENT IN:	OPENING BALANCE	ADJUSTMENTS TO OPENING BALANCE	CHANGES IN THE CONSOLIDATION SCOPE	RECORDED IN RESULTS		RECORDED DIRECTLY IN EQUITY		WRITE-OFF OF ASSET	CLOSING BALANCE
				Increase	Decrease	Increase	Decrease		
INTANGIBLE ASSETS									
I. Goodwill	-	-	-	-	-	-	-	-	-
II. Other intangible assets	-	-	-	-	-	-	-	-	-
PROPERTY, PLANT AND EQUIPMENT	**724**	**-**	**-**	**500**	**-**	**-**	**-**	**-**	**1,224**
I. Property for own use	724	-	-	500	-	-	-	-	1,224
II. Other property, plant and equipment	-	-	-	-	-	-	-	-	-
INVESTMENTS	**932**	**84**	**1,016**	**2**	**-**	**-**	**-**	**-**	**2,034**
I. Property investments	-	-	-	-	-	-	-	-	-
II. Financial investments	59	5	65	2	-	-	-	-	131
- Held-to-maturity portfolio	-	-	-	-	-	-	-	-	-
- Available-for-sale portfolio	59	5	65	2	-	-	-	-	131
- Trading portfolio	-	-	-	-	-	-	-	-	-
III. Investment recorded in accordance with equity method	873	79	951	-	-	-	-	-	1,903
IV. Deposits established for accepted reinsurance	-	-	-	-	-	-	-	-	-
V. Other investments	-	-	-	-	-	-	-	-	-
RECEIVABLES	**11,592**	**-**	**-**	**4,765**	**(5,683)**	**-**	**-**	**-**	**10,674**
I. Receivables on direct insurance and co-insurance operations	-	-	-	-	-	-	-	-	-
II. Receivables on reinsurance operations	11,592	-	-	4,765	(5,683)	-	-	-	10,674
III. Tax receivables	-	-	-	-	-	-	-	-	-
IV. Corporate and other receivables	-	-	-	-	-	-	-	-	-
V. Shareholders, called capital	-	-	-	-	-	-	-	-	-
OTHER ASSETS	-	-	-	-	-	-	-	-	-
TOTAL IMPAIRMENT	**13,248**	**84**	**1,016**	**5,267**	**(5,683)**	**-**	**-**	**-**	**13,932**

Figures in thousands of euros

2015

IMPAIRMENT IN:	OPENING BALANCE	ADJUSTMENTS TO OPENING BALANCE	CHANGES IN THE CONSOLIDATION SCOPE	RECORDED IN RESULTS		RECORDED DIRECTLY IN EQUITY		WRITE-OFF OF ASSET	CLOSING BALANCE
				Increase	Decrease	Increase	Decrease		
INTANGIBLE ASSETS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
I. Goodwill	-	-	-	-	-	-	-	-	-
II. Other intangible assets	-	-	-	-	-	-	-	-	-
PROPERTY, PLANT AND EQUIPMENT	**-**	**-**	**-**	**724**	**-**	**-**	**-**	**-**	**724**
I. Property for own use	-	-	-	724	-	-	-	-	724
II. Other property, plant and equipment	-	-	-	-	-	-	-	-	-
INVESTMENTS	**975**	**(45)**	**-**	**2**	**-**	**-**	**-**	**-**	**932**
I. Property investments	-	-	-	-	-	-	-	-	-
II. Financial investments	60	(3)	-	2	-	-	-	-	59
- Held-to-maturity portfolio	-	-	-	-	-	-	-	-	-
- Available-for-sale portfolio	60	(3)	-	2	-	-	-	-	59
- Trading portfolio	-	-	-	-	-	-	-	-	-
III. Investment recorded in accordance with equity method	915	(42)	-	-	-	-	-	-	873
IV. Deposits established for accepted reinsurance	-	-	-	-	-	-	-	-	-
V. Other investments	-	-	-	-	-	-	-	-	-
RECEIVABLES	**5,479**	**-**	**-**	**6,113**	**-**	**-**	**-**	**-**	**11,592**
I. Receivables on direct insurance and co-insurance operations	-	-	-	-	-	-	-	-	-
II. Receivables on reinsurance operations	5,479	-	-	6,113	-	-	-	-	11,592
III. Tax receivables	-	-	-	-	-	-	-	-	-
IV. Corporate and other receivables	-	-	-	-	-	-	-	-	-
V. Shareholders, called capital	-	-	-	-	-	-	-	-	-
OTHER ASSETS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL IMPAIRMENT	**6,454**	**(45)**	**-**	**6,839**	**-**	**-**	**-**	**-**	**13,248**

Figures in thousands of euros

The impairment recorded in 2016 in property for own use corresponds to a property located in Italy.

6.7 CASH

There are no material non-cash transactions related to investment and financing activities that were excluded in the preparation of the cash flow statement.

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

ITEM	2016	2015
Cash deposited in banks	98,302	96,701
Cash equivalents in banks	41,720	33,050
TOTAL	**140,022**	**129,751**

Figures in thousands of euros

6.8 EQUITY

Share Capital

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

The share capital of the controlling Company, as of December 31 in the last two years, is represented by 72,231,068 nominative shares, each with a nominal value of 3.10 euros, fully subscribed and disbursed. All shares carry the same voting and financial rights.

In their meeting held on March 3, 2015, the controlling Company's Board of Directors agreed to propose at the Annual General Meeting, in accordance with the provisions of Article 297.1b) of the Capital Companies Act, the option of increasing the share capital one or more times to a maximum of 111,958 thousand of euros, equivalent to 50 per cent of the current share capital, over the next five years from the date of this agreement.

MAPFRE S.A. holds 92.25 per cent of the share capital as of December 31, 2016.

The shares representing the share capital of the controlling Company are not admitted to official trading.

Revaluation adjustments

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

The following table shows the nature of the "Revaluation adjustments" recorded under the "Equity" element at the end of the last two years:

ITEM	AMOUNT 2016	AMOUNT 2015
Fixed Income		
Capital gains	84,215	93,959
Capital losses	-	-
Equities and Mutual Funds		
Capital gains	20,833	13,638
Capital losses	-	-
Shadow accounting	-	-
Other adjustments	-	-
Total	**105,048**	**107,597**

Figures in thousands of euros

Restrictions on the availability of reserves

The "Reserves" element includes the controlling Company's legal reserve, amounting to 44.8 million euros in the last two financial 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 controlled companies and reflected in their balance sheets.

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

Capital Management

Capital management is focused on its stability and the maintenance of suitable remuneration through strong levels of solvency, financial flexibility, cash flow generation and the creation of shareholder value.

The capital managed corresponds to own funds that are admissible in accordance with current regulations and other management models applied.

In accordance with the Group's risk appetite, which corresponds to the level of risk that the Group is willing to assume to attain its business objectives with no relevant deviations (including in adverse situations), each Business Unit adjusts its levels of risk tolerance based on the capital allocated.

MAPFRE has an internal capitalization and dividend policy that is designed to provide the Business Units with the necessary capital to cover the risks that have been assumed in a rational and objective way. The amount of dividends to be distributed is established based on the results budgets and estimates of own funds. In the event that the real performance differs from the estimates provided, the capital allocated is reviewed.

The dividends are linked to the profits, solvency, liquidity and investment plans of the Company, as well as shareholders' expectations.

As a general rule, the Board of Directors proposes at the Annual General Meeting a distribution of dividends of between 45 per cent and 65 per cent of the attributable result for the period in its consolidated income statement. Both the estimation of risks, and the allocation of capital to each of the Units, are detailed in Note 7 of the report titled "Risk management".

On the other hand, the items which form part of the Group's available equity are in accordance with the requirements of current legislation.

The company belongs to a consolidated group of insurance entities led by MAPFRE S.A. This entity is required to submit statistical and accounting information to the General Directorate of Insurance and Pension Funds for regulatory purposes.

In the field of supervision, the calculation of the Group's solvency is carried out through a combination of the consolidation-based method, which is applied for all entities except for those domiciled in countries that are considered equivalent or provisionally equivalent, to which the deduction and aggregation method is applied. Similarly, those entities outside of the European Economic Area which have little material effects on the Group's solvency are excluded from this calculation.

The companies included within the consolidation scope are detailed in Annex 1, indicating the methods used for their accounting integration and the calculation of solvency.

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 for the last two years.

ITEM	ACCEPTED REINSURANCE		CEDED AND RETROCEDED REINSURANCE	
	2016	2015	2016	2015
1 Provisions for non-life unearned premiums and unexpired risks	**1,330,416**	**1,268,457**	**307,036**	**264,370**
1.1 Provision for unearned premiums	1,330,416	1,268,457	307,036	264,370
1.2 Provision for unexpired risks	-	-		-
2 Provisions for life insurance	**549,736**	**474,182**	**5,878**	**15,476**
2.1 Provisions for unearned premiums and unexpired risks	457,687	373,128	5,878	15,476
2.1.1 Provisions for unearned premiums	457,687	373,128	5,878	15,476
2.1.2 Provisions for unexpired risks	-	-	-	-
2.2 Mathematical reserves	92,049	101,054	-	-
2.3 Provisions for share in profits	-	-	-	-
3 Provisions for outstanding claims	**1,917,001**	**1,782,276**	**443,009**	**384,607**
3.1 Pending settlement or payment	1,917,001	1,782,276	443,009	384,607
3.2 Claims incurred but not reported (IBNR)	-	-	-	-
3.3 For claim settlement internal expenses	-	-	-	-
4 Other technical provisions	**-**	**-**	**-**	**-**
4.1 Burial	-	-	-	-
4.2 Other	-	-	-	-
TOTAL	**3,797,153**	**3,524,915**	**755,923**	**664,453**

Figures in thousands of euros

2. Movement of each of the technical provisions

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

A) Accepted reinsurance

2016

ITEM	Opening balance	Adjustments to opening balance	Changes in the consolidation scope	Provisions	Applications	Closing balance
I. Provision for non-life unearned premiums and unexpired risks	1,268,457	5,711	-	1,330,416	(1,274,168)	1,330,416
1. Provisions for unearned premiums	1,268,457	5,711	-	1,330,416	(1,274,168)	1,330,416
2. Provisions for unexpired risks	-	-	-	-		-
II. Life insurance provisions	474,181	9,394	-	549,736	(483,606)	549,736
1. Provisions for unearned premiums	373,127	289	-	457,687	(373,416)	457,687
2. Provisions for unexpired risks	-	-	-	-	-	-
3. Mathematical reserves	101,054	9,135	-	92,049	(110,189)	92,049
4. Provisions for profit sharing	-	-	-	-	-	-
III. Provision for outstanding claims	1,782,277	20,148	-	1,917,000	(1,802,425)	1,917,001
Accepted reinsurance	1,782,277	20,148	-	1,917,000	(1,802,425)	1,917,001
IV. Other technical provisions	-	-	-	-	-	-
TOTAL	**3,524,915**	**35,253**	**-**	**3,797,153**	**(3,560,198)**	**3,797,153**

Figures in thousands of euros

2015

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

Figures in thousands of euros

B) Retroceded reinsurance

2016

ITEM	Opening balance	Adjustments to opening balance	Changes in the consolidation scope	Provisions	Applications	Closing balance
Provision for unearned premiums	264,370	1,389	-	307,036	(265,759)	307,036
Life insurance provisions	15,476	37	-	5,878	(15,513)	5,878
Provision for outstanding claims	384,607	10,500	-	443,009	(395,107)	443,009
Other technical provisions	-	-	-	-	-	-
TOTAL	**664,453**	**11,926**	**-**	**755,923**	**(676,379)**	**755,923**

Figures in thousands of euros

2015

ITEM	Opening balance	Adjustments to opening balance	Changes in the consolidation scope	Provisions	Applications	Closing balance
Provision for unearned premiums	279,755	(2,341)	-	264,370	(277,414)	264,370
Life insurance provisions	14,609	(19)	-	15,476	(14,590)	15,476
Provision for outstanding claims	393,477	(10,899)	-	384,607	(382,578)	384,607
Other technical provisions	-	-	-	-	-	-
TOTAL	**687,841**	**(13,259)**	**-**	**664,453**	**(674,582)**	**664,453**

Figures in thousands of euros

2.2 MATHEMATICAL PROVISIONS

ITEM	ACCEPTED REINSURANCE	
	2016	2015
Mathematical provisions at the beginning of the year	**101,054**	**86,559**
Adjustments to opening balance	9,135	(4,011)
Consolidation (reserve balance on consolidation date)	-	-
Premiums	-	-
Technical interest	-	-
Allocation of profit sharing	-	-
Payments / collection of claims	-	-
Reserve adequacy test	-	-
Shadow accounting adjustments	(18,140)	18,508
Other	-	-
Deconsolidation (reserve balance on deconsolidation date)	-	-
Mathematical provisions at the end of the year	**92,049**	**101,055**

Figures in thousands of euros

3. Other information

3.1 PROVISION FOR UNEXPIRED RISKS

The provision for unexpired risks has been allocated in accordance with the criteria explained in Note 5.9.

3.2 CLAIMS BY OCCURRENCE YEAR

No information regarding claims by occurrence year is provided for accepted reinsurance as, generally, ceding companies do not inform the Company of the occurrence date of the claims.

Using data from 2016 and 2015, a study has been conducted on the adequacy of technical provisions constituted as of the close of the aforementioned financial years. Said study was conducted by a specialized and reputable independent firm, and has affirmed the adequacy of these technical provisions.

6.10 PROVISIONS FOR RISKS AND EXPENSES

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

In the 2016 financial year, the difference net of tax was recorded (140 thousand of euros) under the "Voluntary reserves" element. This movement is included in the Statement of Changes in Equity for the 2016 financial year as "Other variations in equity".

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

2016

ITEM	OPENING BALANCE	ADJUSTMENTS TO OPENING BALANCE	CHANGES IN THE CONSOLIDATION SCOPE	INCREASE		DECREASE		CLOSING BALANCE	RECOGNIZED REIMBURSEMENT AMOUNTS	MAXIMUM REVERSAL PERIOD
				Allocated provisions	Increased value on discount	Provisions applied	Provisions reversed			
Provisions for employee incentives	2,250	(78)	-	2,317	-	(1,682)	-	2,807	-	-
Other provisions	6,748	78	-	2,033	-	(4,023)	-	4,836	-	-
TOTAL BOOK VALUE	**8,998**	**-**	**-**	**4,350**	**-**	**(5,705)**	**-**	**7,643**	**-**	**-**

Figures in thousands of euros

2015

ITEM	OPENING BALANCE	ADJUSTMENTS TO OPENING BALANCE	CHANGES IN THE CONSOLIDATION SCOPE	INCREASE		DECREASE		CLOSING BALANCE	RECOGNIZED REIMBURSEMENT AMOUNTS	MAXIMUM REVERSAL PERIOD
				Pprovisions granted	Increased value on discount	Provisions applied	Provisions reversed			
Provisions for employee incentives	1,692	-	-	2,250	-	(1,692)	-	2,250	-	-
Other provisions	2,709	-	-	4,173	-	(134)	-	6,748	-	-
TOTAL BOOK VALUE	**4,401**	**-**	**-**	**6,423**	**-**	**(1,826)**	**-**	**8,998**	**-**	**-**

Figures in thousands of euros

The "Other provisions" entry mainly includes: the defined benefits plans established for 2016 and 2015 for the amount of 396 thousand of euros and 419 thousand of euros respectively, the medium-term incentive plan for 2016 and 2015 for the amount of 805 and 1,640 thousand of euros respectively, the years of service bonus for the amount of 977 thousand of euros and 1,043 thousand of euros respectively, and the life insurance coverage for death between the age of 65 and 77 years for the amount of 454 thousand of euros (372 thousand of euros in 2015).

6.11 DEPOSITS RECEIVED FOR CEDED AND RETROCEDED REINSURANCE

Deposits on ceded and retroceded reinsurance represent guarantees provided to reinsurers based on reinsurance coverage contracts signed under normal business practices. These mostly accrue a payable average interest of 0.61 per cent and the average renewal period is generally annual. The payment of the aforementioned interest is performed quarterly.

6.12 DEBT

The balances included in the "Due on reinsurance operations", "Tax liabilities" and "Other debts" headings do not accrue payable interest, and generally they are paid in the following year.

6.13 GUARANTEED COMMITMENTS WITH THIRD PARTIES

The controlling Company has provided letters of credit in guarantee reserves for premiums and outstanding claims against official bodies amounting to 30.23 and 56.56 million euros in 2016 and 2015 respectively. Fixed-income securities have been pledged in favor of ceding companies through these letters of credit in the available-for-sale portfolio, amounting to 628.9 million and 408.63 million euros in 2016 and 2015 respectively.

6.14 REVENUE AND EXPENSES FROM INVESTMENTS

The breakdown of revenues and expenses from investments for 2016 and 2015 is shown below:

Revenues from Investments

ITEM	REVENUES FROM INVESTMENTS FOR				TOTAL	
	OPERATION		EQUITY			
	2016	2015	2016	2015	2016	2015
REVENUES FROM DIVIDENDS AND SIMILAR						
Property investments:	-	-	477	253	477	253
- Rentals	-	-	477	253	477	253
Income from the held-to-maturity portfolio:	-	-	-	-	-	-
- Fixed income	-	-	-	-	-	-
- Other investments	-	-	-	-	-	-
Revenue from available-for-sale portfolio	81,626	89,130	5,065	4,754	86,691	93,884
Revenue from the trading portfolio	3,330	2,406	-	13	3,330	2,419
Dividends of Group companies	-	-	-	-	-	-
Other financial returns	62,268	56,559	480	63	62,748	56,622
TOTAL REVENUE	**147,224**	**148,095**	**6,022**	**5,083**	**153,246**	**153,178**
REALIZED AND UNREALIZED GAINS						
Net realized gains:	48,860	47,574	4,116	4,595	52,976	52,169
Property investments	-	-	-	-	-	-
Held-to-maturity portfolio financial investments	-	-	-	-	-	-
Available-for-sale portfolio financial investments	48,835	47,574	4,116	4,528	52,951	52,102
Trading portfolio financial investments	25	-	-	-	25	-
Other	-	-	-	67	-	67
Net unrealized gains:	-	-	-	-	-	-
Fair value increase of trading portfolio	-	-	-	-	-	-
Other	-	-	-	-	-	-
TOTAL GAINS	**48,860**	**47,574**	**4,116**	**4,595**	**52,976**	**52,169**
TOTAL REVENUES FROM INVESTMENT	**196,084**	**195,669**	**10,138**	**9,678**	**206,222**	**205,347**

Figures in thousands of euros

Expenses from Investments

ITEM	EXPENSES FROM INVESTMENTS FOR				TOTAL	
	OPERATION		EQUITY			
	2016	2015	2016	2015	2016	2015
FINANCIAL EXPENSES						
Property investments:	400	99	-	-	400	99
- Direct operating expenses	400	62	-	-	400	62
- Other expenses	-	37	-	-	-	37
Expenses from held-to-maturity portfolio	-	-	-	-	-	-
- Fixed income	-	-	-	-	-	-
- Other investments	-	-	-	-	-	-
Expenses from available-for-sale portfolio	12,568	22,789	1,323	1,496	13,891	24,285
Expenses from trading portfolio	-	-	-	-	-	-
Other financial expenses	6,588	2,091	1,261	724	7,849	2,815
TOTAL EXPENSES	**19,556**	**24,979**	**2,584**	**2,220**	**22,140**	**27,199**
REALIZED AND UNREALIZED LOSSES						
Net realized losses:	9,740	13,619	1,064	1,434	10,804	15,053
Property investments	-	-	-	-	-	-
Held-to-maturity portfolio financial investments	-	-	-	-	-	-
Available-for-sale portfolio financial investments	9,796	13,420	1,063	1,414	10,859	14,834
Trading portfolio financial investments	(56)	199	-	20	(56)	219
Other	-	-	1	-	1	-
Net unrealized losses:	-	-	-	-	-	-
Fair value decrease of trading portfolio	-	-	-	-	-	-
Other	-	-	-	-	-	-
TOTAL LOSSES	**9,740**	**13,619**	**1,064**	**1,434**	**10,804**	**15,053**
TOTAL EXPENSES FROM INVESTMENTS	**29,296**	**38,598**	**3,648**	**3,654**	**32,944**	**42,252**

Figures in thousands of euros

6.15 OPERATING EXPENSES

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

OPERATING EXPENSES BY DESTINATION	2016	2015
Claims-Related Expenses	(109)	(102)
Acquisition Expenses	(1,052,642)	(863,713)
Administration Expenses	(13,907)	(13,424)
Expenses from Investments	(32,944)	(42,252)
Other Technical Expenses	(2,354)	(2,657)
Other Non-Technical Expenses	(3,847)	(4,182)
Operating Expenses (other activities)	-	-
TOTAL	**(1,105,803)**	**(926,330)**

OPERATING EXPENSES BY TYPE	2016	2015
Commissions and other portfolio expenses	(1,014,645)	(826,293)
Personnel expenses	(35,323)	(34,856)
External services	(26,193)	(26,920)
- Leases (premises and buildings)	(4,405)	(4,220)
- Repairs and upkeep (premises and buildings)	(1,452)	(1,519)
- Leasing and repairs (computer equipment)	(97)	(169)
- Leasing and repairs (computer applications)	(996)	(1,040)
- Other services (computer applications)	(1,568)	(1,748)
- Supplies (communications)	(744)	(843)
- Advertising and marketing	(553)	(533)
- Public relations	(2,207)	(2,333)
- Independent professional services	(10,569)	(10,803)
- Other services	(3,602)	(3,712)
Taxes	1,191	1,068
Financial expenses	-	-
Provision for amortization	(1,492)	(1,492)
Expenses allocated directly to destination	(29,341)	(37,837)
TOTAL	**(1,105,803)**	**(926,330)**

Figures in thousands of euros

The income statement reflects expenses by destination, that is, based on the function the expenses fulfil 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 type, and are reclassified according to their destination in those cases in which the two do not coincide. The reclassifications performed in the following headings are outlined below:

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 element 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, publicity and commercial organization expenses directly related to the acquisition of insurance contracts.

The fees and other acquisition expenses corresponding to the earned premiums that can be allocated to the period between the closing date and the end of coverage of the contracts are essentially included under the "Accrual Adjustments" element 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 ceded reinsurance that must be allocated to the year or following years in accordance with the coverage period of the ceded policies are included under the "Accrual Adjustments" element of the liability.

- Administration expenses: Primarily includes expenses for personnel assigned to these tasks, and amortization and depreciation of fixed assets assigned to this activity, as well as expenses derived from contentious matters related to premiums, and expenses for processing return premiums and ceded and accepted reinsurance.

- Reinsurance commissions and shares: Includes compensation from reinsurers to the ceding companies for acquisition and administration expenses incurred by them, 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 being for operations or equity, depending on whether they derive from investments in which the technical provisions materialize (operating investments) or from investments in which the entity's equity materializes (equity investments).

6.16 EARNINGS FROM CEDED AND RETROCEDED REINSURANCE

The earnings from ceded and retroceded reinsurance in 2016 and 2015 are shown below:

ITEM	NON-LIFE		LIFE		TOTAL	
	2016	2015	2016	2015	2016	2015
Premiums (-)	(1,393,677)	1,167,814)	(40,410)	(54,396)	(1,434,087)	(1,222,210)
Provision variations for unearned premiums and unexpired risks	41,069	(9,851)	(9,427)	(2,817)	31,642	(12,668)
Claims paid (+) variation in provision for outstanding claims	665,967	658,329	36,125	40,534	702,092	698,863
Variation in mathematical provision	-	-	-	-	-	-
Variation in other technical provisions	-	-	-	-	-	-
Participation of reinsurance in fees and expenses (+)	295,662	210,651	10,692	21,174	306,354	231,825
Other	-	-	-	-	-	-
EARNINGS FROM CEDED AND RETROCEDED REINSURANCE	**(390,979)**	**(308,685)**	**(3,020)**	**4,495**	**(393,999)**	**(304,190)**

Figures in thousands of euros

6.17 TAX POSITION

a) Tax consolidation regulations

TAX ON PROFITS

Since 2002, MAPFRE RE has formed part of the companies included for corporate tax purposes in Fiscal Group No. 9/85, which comprises MAPFRE S.A. and its controlled companies that are eligible for this tax regime.

Therefore, the amounts receivable or payable for the tax on profits are recorded under the headings "Corporate and other receivables" and "Other debts" in the consolidated balance sheet.

VALUE-ADDED TAX

Since 2010, the controlling Company has formed part of the Group No. IVA 87/10 for the purposes of value added tax, comprising MAPFRE S.A. as the controlling company and those controlled companies that agreed to join the Group when it was created.

b) Components of tax on profits expenses and reconciliation of book earnings with the tax expense of ongoing activities

Shown below for the financial years ending December 31, 2016 and 2015 are the main components of the tax on profits expenses from ongoing operations, and the reconciliation between the tax on profits expenses and the product of multiplying the book earnings 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	
	2016	2015
Tax expense	-	-
Results before tax from ongoing operations	**252,817**	**205,131**
25% of the result before tax from ongoing operations (28% in 2015)	(63,204)	(57,437)
Tax incentive for the year	2,121	4,475
Tax effect of the permanent differences	(2,379)	1,129
Tax effect of tax rates other than 25% (28% in 2015)	(3,295)	(732)
Total expense from current tax originating in the year	(66,757)	(52,565)
Expense from current tax originating in previous financial years	-	-
Previously unrecognized credits on negative tax bases from prior periods, deductions pending application or temporary differences, using negative tax bases, deductions pending application or temporary differences	-	-
Total tax expense of ongoing operations	**(66,757)**	**(52,565)**
Tax on profits to be paid	**-**	**-**
Taxes withheld and payments on account	43,323	35,601
Temporary differences	(2,635)	6,553
Tax receivables and incentives applied, registered in previous years	-	-
Tax on profit from discontinued operations	-	-
Total (payable) or collectible	**(26,069)**	**(10,411)**

Figures in thousands of euros

With regard to Spanish companies, the regulations approved in 2014 established the reduction of the general tax rate in force on that date (30 per cent) by two percentage points for 2015 (28 per cent) and three additional percentage points for 2016, in which the rate has been set at 25 per cent. In the 2015 financial year, this tax change affected the valuation of deferred tax assets and liabilities, which were calculated according to the tax rates expected at the moment in which they were performed.

The deferred tax registered in previous years has been recalculated, taking into account the new tax rates, and recording its effect in results or equity depending on the applicable item.

c) Deferred tax assets and liabilities

As of December 31, 2016 and 2015, deferred tax assets and liabilities are shown on the consolidated balance sheet for the net amount corresponding to each of the Group's taxpaying companies, and stand as follows:

ITEM	2016	2015
Deferred tax assets	28,704	28,951
Deferred tax liabilities	(53,331)	(60,020)
Asset (Liability) net	(24,627)	(31,069)

Figures in thousands of euros

The following tables show the detail of net deferred tax balance for 2016 and 2015, breaking down the amount of deferred tax by items charged or paid directly against equity in each of the years.

2016

ITEM	OPENING BALANCE	ADJUSTMENTS TO OPENING BALANCE	CHANGES IN THE CONSOLIDATION SCOPE	ORIGINATING FROM		WRITE OFFS	CLOSING BALANCE
				Results	Equity		
- Valuation difference of financial investments	34,589	100	(1,208)	7,752	(6,113)	-	35,120
- Implicit derivatives	-	-	-	-	-	-	-
- Stabilization and catastrophe provision	14,691	-	-	-	(4,265)	-	10,426
- Portfolio acquisition expenses and other acquisition expenses	-	-	-	-	-	-	-
- Others	(18,211)	-	-	(2,708)	-	-	(20,919)
TOTAL DEFERRED TAX	**31,069**	**100**	**(1,208)**	**5,044**	**(10,378)**	**-**	**24,627**

Figures in thousands of euros

2015

ITEM	OPENING BALANCE	ADJUSTMENTS TO OPENING BALANCE	CHANGES IN THE CONSOLIDATION SCOPE	ORIGINATING FROM		WRITE OFFS	CLOSING BALANCE
				Results	Equity		
- Valuation difference of financial investments	53,243	76	-	(9,317)	(9,413)	-	34,589
- Implicit derivatives	-	-	-	-	-	-	-
- Stabilization and catastrophe provision	8,918	(208)	-	(718)	6,699	-	14,691
- Portfolio acquisition expenses and other acquisition expenses	-	-	-	-	-	-	-
- Others	(12,141)	(318)	-	(5,925)	173	-	(18,211)
TOTAL DEFERRED TAX	**50,020**	**(450)**	**-**	**(15,960)**	**(2,541)**	**-**	**31,069**

Figures in thousands of euros

At the end of 2016, deferred tax assets and liabilities maturing within 12 months amounted to 365 thousand of euros (285 thousand of euros in 2015).

d) Tax incentives

The breakdown of tax incentives of the fully consolidated companies for 2016 and 2015 is as follows:

MODALITY	YEAR TO WHICH THEY CORRESPOND	AMOUNT APPLIED IN THE YEAR		AMOUNT PENDING APPLICATION		NON-RECORDED AMOUNT		TERM FOR APPLICATION	
		2016	2015	2016	2015	2016	2015	2016	2015
- Double tax deduction		2,121	4,402	-	-	-	-	-	-
- Reduction for capitalization reserves		-	1,342	-	-	-	-	-	-
- Others		-	73	-	-	-	-	-	-
TOTAL		**2,121**	**5,817**	**-**	**-**	**-**	**-**	**-**	**-**

Figures in thousands of euros

In 2015, the entity adhered to the tax benefit for capitalization reserves in its position as a company belonging to fiscal Group No. 9/85 for the amount of 4,792 thousand of euros, in accordance with the stipulations of Article 25 of Law 27/2014 of November 27 on Corporate Tax.

e) Verification by tax authorities

According to current legislation for Spanish companies, the statements made for 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.

As of December 31, all taxes to which the Company is subject for the 2013 to 2016 financial years are open to inspection, as well as the corporate tax corresponding to 2012. In the opinion of the Company's advisors, the possibility of tax liabilities occurring that materially affect the financial position of the Company to December 31, 2016 is remote.

6.18 REMUNERATION TO EMPLOYEES AND ASSOCIATED LIABILITIES

1. Personnel expenses

The breakdown of personnel expenses in the last two years is shown in the following table.

ITEM	AMOUNT	
	2016	2015
a) Short term remuneration	31,737	32,283
a.1) Wages and salaries	22,284	21,635
a.2) Social security	4,366	4,306
a.3) Other remuneration	5,087	6,342
b) Post-employment benefits	1,801	2,078
c) Compensation for termination	1,217	140
d) Other long-term remuneration	568	378
TOTAL	**35,323**	**34,879**

Figures in thousands of euros

2. Allowances and other post-employment benefits

DEFINED BENEFIT PLANS

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

All of these correspond to retired personnel.

Settlement of the current value of the obligation

The reconciliation of the current value of the obligation arising from defined benefit plans in the last two years is shown below:

ITEM	2016	2015
Current value of obligation as of January 1	**419**	**434**
Current year's service costs	-	-
Interest cost	19	20
Contributions made by plan members	-	-
Actuarial losses and gains	-	8
Modifications due to exchange rate variations	-	-
Benefits paid	(26)	(26)
Cost of previous services	-	-
Other	(16)	(17)
Settlements	-	-
Current value of obligation as of December 31	**396**	**419**

Figures in thousands of euros

The following table details the reconciliation of the opening and closing balance of the reimbursement rights corresponding to the aforementioned plans for the last two years.

ITEM	2016	2015
Reimbursement right value and assets allocated to the plan as of January 1	**419**	**434**
Expected return from allocated assets	19	20
Actuarial losses and gains	-	8
Modifications due to exchange rate variations	-	-
Employer contributions	-	-
Contributions made by plan members	-	-
Benefits paid	(26)	(26)
Settlements	-	-
Other items	(16)	(17)
Reimbursement right value and assets allocated to the plan as of December 31	**396**	**419**

Figures in thousands of euros

Amounts recognized in the consolidated income statement

The following table details the amounts recognized in the consolidated income statement for 2016 and 2015.

ITEM	2016	2015
Current year's service costs	-	-
Interest cost	19	20
Expected return of assets allocated to the plan	-	-
Expected return of any right to reimbursement recognized as an asset	(19)	(20)
Actuarial losses and gains	-	-
Cost of previous services recognized in the year	-	-
Effect of any decrease or liquidation	-	-
Other items	-	-
TOTAL EXPENSE RECOGNIZED IN INCOME STATEMENT	**-**	**-**

Figures in thousands of euros

The expected rate of return is determined based on the interest rate guaranteed in the affected insurance policies.

The real return of assets allocated to the plan (reimbursement rights), as well as the investments allocated to cover the mathematical provisions, amounted to 19 thousand of euros in 2016 and 20 thousand of euros in 2015.

The main actuarial assumptions used at the close of the last two years are the following: PERM/F-2000 mortality tables and annual CPI of 3 per cent in both years, while the discount and expected rates of return on allocated assets are identical, as they involve products with matching cash flows.

In 2016, contributions to defined benefit plans are not expected to be made.

OTHER POST-EMPLOYMENT BENEFITS

In 2016 and 2015, personnel expenses including the corresponding life insurance expenses with coverage for death between the age of 65 and 77 years for an amount of 21 and 20 thousand of euros respectively. Additionally, 264 thousand of euros was allocated to equity in 2015, net of tax, and included in "Other variations of the consolidated statement of changes in equity" for that year.

OTHER SHARE-BASED MEDIUM AND LONG-TERM REMUNERATION AND PAYMENTS

As specified in the valuation regulations, in this year the medium term incentive plan 2013-2015 was settled, with 805 thousand of euros being paid for this item, an amount that was fully provisioned.

Additionally, the Board of Directors approved a new medium-term incentive plan in 2016 that was valued and recognized in the income statement in accordance with the stipulations of valuation regulations "5.13 Employee remuneration".

Personnel expenses derived from the plan have been recorded in the corresponding income statement for the amount of 805 thousand of euros in 2016, with the same amount appearing in liabilities. The number of benchmark shares taken into account for the purposes of calculating the remuneration has increased in 2016 to 503,417.

As indicated in the valuation regulations "5.13 Employee remuneration", the Group used to have an incentive plan indexed to the share price of MAPFRE S.A., which has been terminated.

Personnel expenses recorded in the consolidated income statement in 2016 and 2015 that are derived from this plan reach 5 and 23 thousand of euros respectively, and the offsetting entry is recorded in liabilities. The total carrying amount of the liabilities recorded at the end of years 2016 and 2015 in relation to the share-price-indexed incentive plan reached 0.00 and 5 thousand of euros respectively, with its intrinsic value being null as of both dates.

The number of benchmark shares taken into account for the purposes of calculating the remuneration increased to 219,298 in the last two years, whose strike price in the year was 3.42 euros per share. At the end of 2016, the share price was below the benchmark price of this plan, and for that reason no rights have been exercised and the plan has been terminated, as was mentioned previously.

NUMBER OF EMPLOYEES

The average and final number of employees in the last two financial years, classified by category, gender, and distributed by geographic area, are detailed below.

Average number of employees:

2016

COUNTRY	DIRECTORS		SENIOR MANAGERS		MANAGERS		UNDERWRITERS		ADMINISTRATIVE		TOTAL	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Spain	2	0	0	0	27	13	59	52	4	18	92	83
United States of America	0	0	0	0	1	2	2	6	0	1	3	9
Brazil	0	0	0	0	4	3	6	3	1	1	11	7
Chile	0	0	0	0	4	1	8	3	1	3	13	7
Rest of America	0	0	0	0	8	8	17	11	6	8	31	27
Europe	0	0	0	0	11	6	13	18	0	5	24	29
Philippines	0	0	0	0	1	0	0	5	1	1	2	6
Rest of Asia	0	0	0	0	2	0	1	2	0	1	3	3
TOTAL AVERAGE NUMBER OF EMPLOYEES	**2**	**0**	**0**	**0**	**58**	**33**	**106**	**100**	**13**	**38**	**179**	**171**

2015

COUNTRY	DIRECTORS		SENIOR MANAGERS		MANAGERS		UNDERWRITERS		ADMINISTRATIVE		TOTAL	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Spain	2	0	0	0	30	15	53	36	5	23	90	74
United States of America	0	0	0	0	1	1	1	7	0	2	2	10
Brazil	0	0	0	0	4	1	6	3	1	2	11	6
Chile	0	0	0	0	4	1	5	2	1	5	10	8
Rest of America	0	0	0	0	8	5	14	7	9	10	31	22
Europe	0	0	0	0	8	2	14	15	1	16	23	33
Philippines	0	0	0	0	1	0	2	4	1	2	4	6
Rest of Asia	0	0	0	0	2	0	1	1	0	0	3	1
TOTAL AVERAGE NUMBER OF EMPLOYEES	**2**	**0**	**0**	**0**	**58**	**25**	**96**	**75**	**18**	**60**	**174**	**160**

Number of employees at the end of the year:

2016

COUNTRY	DIRECTORS		SENIOR MANAGERS		MANAGERS		UNDERWRITERS		ADMINISTRATIVE		TOTAL	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Spain	2	0	0	0	28	14	60	55	3	17	93	86
United States of America	0	0	0	0	1	2	3	6	0	0	4	8
Brazil	0	0	0	0	4	3	6	3	1	1	11	7
Chile	0	0	0	0	4	1	8	3	0	2	12	6
Rest of America	0	0	0	0	7	8	16	11	5	9	28	28
Europe	0	0	0	0	10	5	12	21	1	4	23	30
Philippines	0	0	0	0	1	0	0	5	1	1	2	6
Rest of Asia	0	0	0	0	2	0	1	2	0	1	3	3
TOTAL AVERAGE NUMBER OF EMPLOYEES	**2**	**0**	**0**	**0**	**57**	**33**	**106**	**106**	**11**	**35**	**176**	**174**

2015

COUNTRY	DIRECTORS		SENIOR MANAGERS		MANAGERS		UNDERWRITERS		ADMINISTRATIVE		TOTAL	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Spain	2	0	0	0	30	15	57	37	5	24	94	76
United States of America	0	0	0	0	2	3	0	3	0	3	2	9
Brazil	0	0	0	0	3	1	7	3	0	3	10	7
Chile	0	0	0	0	6	0	5	3	2	4	13	7
Rest of America	0	0	0	0	9	4	10	10	12	13	31	27
Europe	0	0	0	0	14	6	9	11	1	13	24	30
Philippines	0	0	0	0	0	0	1	3	1	3	2	6
Rest of Asia	0	0	0	0	2	0	1	1	0	0	3	1
TOTAL AVERAGE NUMBER OF EMPLOYEES	**2**	**0**	**0**	**0**	**66**	**29**	**90**	**71**	**21**	**63**	**179**	**163**

Below, the average number of employees in Spain with disability equal to or greater than 33 per cent is detailed, indicating the categories to which they belong.

ITEM	2016	2015
Executives	2	3
Underwriters	2	1
Administrative	-	-
TOTAL	**4**	**4**

6.19 NET RESULTS FOR FOREIGN EXCHANGE DIFFERENCES

Foreign exchange gains, other than those arising from financial instruments assessed at fair value, allocated to the consolidated income statement, amounted to 490.26 million and 723.2 million euros in financial years 2016 and 2015 respectively.

Foreign exchange losses, other than those arising from financial instruments assessed at fair value, allocated to the consolidated income statement, amounted to 487.25 million and 715.9 million euros in financial years 2016 and 2015 respectively.

The reconciliation of the foreign exchange differences recognized in equity at the beginning and end of the period in 2016 and 2015 is presented below.

DESCRIPTION	AMOUNT	
	2016	2015
Foreign exchange difference at the beginning of the year	**955**	**13,335**
Net foreign exchange differences on conversion of financial statements	13,373	(13,084)
Net foreign exchange differences on valuation of non-monetary items	(762)	704
Foreign exchange differences at the end of the year	**13,566**	**955**

Figures in thousands of euros

The following table shows, as of December 31, 2016 and 2015, the net foreign exchange differences arising from the translation into euros of the financial statements of those Group companies whose functional currency is not the euro:

Of fully consolidated companies

FULLY CONSOLIDATED COMPANIES	GEOGRAPHIC AREA	CONVERSION DIFFERENCES					
		POSITIVE		NEGATIVE		NET	
		2016	2015	2016	2015	2016	2015
MAPFRE RE CHILE	CHILE	3,690	-	-	(64)	3,690	(64)
MAPFRE RE BRASIL	BRAZIL	-	-	(12,655)	(22,273)	(12,655)	(22,273)
RMI	UNITED STATES	5	4	-	-	5	4
MAPFRE RE	SPAIN	22,526	23,288	-	-	22,526	23,288
TOTAL		**26,221**	**23,292**	**(12,655)**	**(22,337)**	**13,566**	**955**

Figures in thousands of euros

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

Foreign exchange differences registered directly in equity

COMPANY	GEOGRAPHIC AREA	CONVERSION DIFFERENCES					
		POSITIVE		NEGATIVE		NET	
		2016	2015	2016	2015	2016	2015
MAPFRE RE	SPAIN	322	1,083	-	-	322	1,083
TOTAL		**322**	**1,083**	**-**	**-**	**322**	**1,083**

Figures in thousands of euros

6.20 CONTINGENT ASSETS AND LIABILITIES

As of 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 0.79 million US dollars (0.82 million in 2015). In the sales contract of this company to MAPFRE USA, an adjustment in the price is contemplated after three years, extended to four years in July, 2015, depending on M.R.C.'s business performance. This adjustment would have a maximum limit of 3 million US dollars.

6.21 RELATED PARTY TRANSACTIONS

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		REVENUES	
	2016	2015	2016	2015
Services received/provided and other expenses/revenue	1,313	1,444	1,313	1,444
Expenses/revenue from property investments	-	-	-	-
Expenses/revenues from investments and financial accounts	-	-	-	-
Dividends distributed	-	-	2,313	1,743
TOTAL	**1,313**	**1,444**	**3,626**	**3,187**

Figures in thousands of euros

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

ITEM	EXPENSES	
	2016	2015
Expenses and revenues from property investments	2,636	2,656
Expenses and revenues from investments and financial accounts	2,312	2,283
External services and other non-technical expenses/revenue	3,938	5,155
Dividends paid	-	-
TOTAL	**8,886**	**10,094**

Figures in thousands of euros

Reinsurance operations

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

ITEM	EXPENSES		REVENUES	
	2016	2015	2016	2015
Ceded/accepted premiums	8,242	7,890	(8,338)	(7,550)
Claims	5,525	8,240	(4,639)	(8,736)
Changes in technical provisions	19,633	4,230	(18,920)	(3,910)
Commissions	(1,402)	(2,011)	1,660	1,921
Other technical revenue and expenses	-	-	-	-
TOTAL	**31,997**	**18,349**	**(30,237)**	**(18,275)**

Figures in thousands of euros

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

ITEM	REVENUES / EXPENSES			
	ACCEPTED REINSURANCE		CEDED REINSURANCE	
	2016	2015	2016	2015
Premiums	1,931,554	1,636,796	(116,923)	(89,002)
Claims	(958,616)	(958,944)	54,545	51,574
Commissions	(510,588)	(429,497)	23,174	12,343
TOTAL	**462,350**	**248,355**	**(39,204)**	**(25,085)**

Figures in thousands of euros

The following table shows the balances with reinsurers and ceding companies, deposits constituted, and technical provisions on reinsurance operations with consolidated Group companies, all of which have been eliminated in the consolidation process, as for those with the higher consolidated Group (MAPFRE S.A.):

ITEM	ELIMINATED BALANCES				NON-ELIMINATED BALANCES			
	ACCEPTED REINSURANCE		CEDED REINSURANCE		ACCEPTED REINSURANCE		CEDED REINSURANCE	
	2016	2015	2016	2015	2016	2015	2016	2015
Receivables and payables	(4)	606	-	-	57,064	96,944	(160,744)	(126,271)
Deposits	(160)	(51)	(160)	(51)	77,844	116,987	265	249
Technical provisions	(30,882)	(9,808)	(30,395)	(10,043)	(1,123,933)	(928,507)	68,603	64,186
TOTAL	(31,046)	(9,253)	(30,555)	(10,094)	(989,025)	(714,576)	(91,876)	(61,836)

Figures in thousands of euros

Remuneration of key management personnel

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

ITEM	AMOUNTS	
	2016	2015
Short-term remuneration	-	-
Salaries	898.55	816.47
Fixed remuneration	288.98	240.34
Attendance fees	-	-
Life Insurance	19.37	24.91
Other items	4.28	4.95
Total	1,211.18	1,086.67

Figures in thousands of euros

Base remuneration of external directors consists of a fixed annual allowance for members of the Board of Directors of insurance companies in Spain, amounting to 40 thousand of euros, and 6 thousand of 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 benefits recognized for personnel, such as illness insurance.

Executive directors receive the remuneration established in their contracts, including fixed salary, variable incentives linked to results, life and disability insurance, and other general benefits established for the Company's personnel. They also receive certain pension allowance in the event of retirement, externalized through a life insurance policy. All of these payments are included in the compensation policy established by the Group for its senior executives, whether or not they are directors. As contributions to defined contribution plans, 124 and 388 thousand of euros were recorded as expenses for financial years 2016 and 2015, respectively. Executive Directors do not receive remuneration established for External Directors.

In 2016, other remuneration corresponding to non-recurring items which amounted to 4,840 thousand of euros was paid, which did not have any effect on the income statement as it was provisioned for.

The payment of the 2013-2015 incentive plan, that has been provisioned for throughout its term, required a disbursement of 1,155 thousand of euros. With regard to the new medium-term incentive plan, a provision amounting to 275 thousand of euros has been granted, which will be paid depending on the fulfillment of objectives in the period established in the plan.

The years of service bonus has accrued expenses for the amount of 3 thousand of euros.

The Company has not granted advances or credits to key management personnel.

The amount paid for professional liability insurance premiums due to damage caused reached 23 thousand of euros (34 thousand of euros in 2015).

Subsidies

In 2016 and 2015, a government subsidy was received for subsidized contracts (social security) and continuing education (Fundación Tripartita), attributed entirely to results for the period.

ITEM	SUBSIDY	
	2016	2015
As of January 1	-	-
Received during the year	10	6
Transferred to results	10	6
As of December 31	-	-

Figures in thousands of euros

There is no noncompliance with any of the conditions or contingencies associated with these subsidies.

Events subsequent to the date of the balance sheet

No material events took place after the 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 committees, and Steering Committees related to the Risk Management System (Audit Committee and Risks and Compliance Committee).

The aforementioned regulation assigns the competencies of supporting and advising the Board of Directors in the definition and evaluation of risk management policies, the determination of susceptibility to risk and the risk strategy to the Risk and Compliance Committee, a delegate body of the Board of Directors. This body is also responsible for supervising the correct application of good governance regulations and external and internal standards in the Company and the Group.

Similarly, the Regulation of the MAPFRE Board of Directors assigns responsibilities to the Audit Committee, which is also a delegate body of the Board of Directors. This Committee supervises the effectiveness of the Company's internal control, internal audit and risk management systems.

In addition to the aforementioned Governance Bodies, there are other collegiate bodies which support them in the subject of risk management:

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

a) Managers of the "first line of defence" assume risks and possess the controls.

b) The Internal Control System and the "second line of defence" areas perform independent supervision of the risk management activities conducted by the first line of defence, within the framework of the policies and limits established by the Board of Directors.

c) As the "third line of defence", Internal Audit contributes an independent guarantee to the adequacy and effectiveness of the Internal Control System and other Corporate Governance System elements.

Within this framework, MAPFRE has implemented a structure composed of areas which, in their respective fields of responsibility, independently supervise the assumed risks.

The defined Areas correspond to:

- The Actuarial Area, responsible for preparing mathematical, actuarial, statistical and financial calculations that enable rates and technical provisions to be determined, and, in close collaboration with the Risk Management Area, modelling underwriting risk based on the calculation of capital requirements in the insurance entities that contribute to achieving the expected underwriting profit and reaching the desired solvency levels.

- The Compliance Area, which identifies, assesses, monitors and reports on the exposure of the activities performed by the Group to compliance risk.

- The Internal Control Area, which is responsible for ensuring that the established Internal Control System is working properly throughout MAPFRE, and that established procedures are followed.

- The Risk Management Area which is responsible for:

  • Supervising and controlling the effectiveness of the MAPFRE Group's Risk Management System.

  • The identification and assessment of risks.

  • The calculation of solvency levels.

  • Monitoring and notification of risk exposure.

- The Security and Environment Area, which is responsible for preventing and mitigating the security risks that may cause damage to the Group, disturbing, limiting or reducing its productive, financial or business capacity. It is also responsible for those risks that may hinder the fulfillment of its social and environmental commitments, its objectives and business strategy, or the provisions of current regulations.

- Internal Auditing Area, which provides an independent evaluation of:

  • The adequacy, sufficiency and effectiveness of elements of the Internal Control System.

  • The Risk Management System.

  • The adequacy and efficiency of the Group's Governance System outlined in the Solvency II Directive.

The aforementioned structure meets the requirements on the subject of risk management system governance established by the Solvency II Directive.

OBJECTIVES, POLICIES AND RISK MANAGEMENT PROCESSES

MAPFRE establishes the risk level which the Group is prepared to assume in order to attain its business objectives without any significant deviations, even in adverse situations. That level, which establishes limits and sub-limits by risk type, configures the MAPFRE Group's Risk Appetite.

The MAPFRE Group's Risk Management Policy provides a Group-wide Risk Management System based on integrated management of each and every business process, adjusting the risk level 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 forms part of the decision-making process.

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

The different types of risks are grouped under four areas, or categories, as explained below:

Financial and Credit Risks	Includes interest rate, liquidity, exchange rate, market and credit risks.
Reinsurance Activity Risks	This groups, separately for Life and Non-Life, premium shortfalls, adequacy of technical provisions, and reinsurance risks.
Operational Risks	This includes 23 types of risk, grouped in the following areas: actuarial, legal, technological, personnel, collaborators, procedures, information, fraud, market and material assets.
Strategic and Corporate Governance Risks	Includes corporate ethics and corporate governance risks, as well as organizational structure, joint venture, merger and acquisition, regulatory and, lastly, competition risks.

The entity must review the text that is included in this section and adapt it to its case-based reasoning.

The Governing Bodies regularly receive half-yearly information relating to the quantification of the main risks to which the Group is exposed and the capital resources available to cover them, as well as information relating to compliance with the established Risk Appetite limits. The main risks are quantified in accordance with:

- Current legal requirements;

- A standard model of fixed factors; and

- Proprietary management models, in the companies that have them.

Following the Solvency II regulations taking effect, the Group quantifies the main risks using the standard formula (group of calculations or algorithms prescribed by the supervisor in order to calculate mandatory solvency capital).

Assigned capital is established in general based on estimates in accordance with the budgets for the coming year, and is reviewed periodically throughout the year in line with the development of risks in order to ensure compliance with the established Risk Appetite limits.

These limits foresee that certain companies will require a higher level of capitalization, in relative terms, than the Group average, either because they operate in countries with different legal requirements, or because their activities are subject to more stringent financial solvency requirements than those of the other Group entities.

FINANCIAL AND CREDIT RISK

MAPFRE mitigates its exposure to this type of risk by means of a prudent investment policy characterized by a high proportion of investment grade fixed-income securities, and by establishing both general and specific exposure limits.

Four types of portfolio are defined in the management of investment portfolios:

- Those aiming for strict immunization of the obligations derived from insurance contracts. Within these, both portfolios that comply with requirements to apply Solvency II matching adjustments, and other portfolios to which different immunization techniques based on cash flow or duration matching are applied, are included.

- Those that aim to exceed the agreed return and obtain the highest yield for insureds within prudent limits, as well as share-in-profit portfolios not included within the immunized portfolios.

- The freely managed portfolio, which is actively managed and only constrained by legal regulations and internal risk limitations.

Within the first group, the immunized portfolios minimize interest rate risk. A certain degree of market risk is accepted in the other portfolios, as set out below:

- The management variable for interest rate risk is modified duration, which is constrained by the limits established in the investment plan approved by the Board of Directors of MAPFRE S.A. for the freely-managed portfolios, and the modified duration of liabilities in the event of long-term commitments with policyholders.

- 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 established in the annual investment plan for investment management reasons.

- Investments in shares are subject to a maximum limit within the investment portfolio.

- Risk limitations are established in quantitative terms based on variables that are easy to observe. However, a probabilistic risk assessment based on volatilities and historical correlations is also undertaken.

MAPFRE RE's policy with regard to credit risk management is based on prudence criteria in line with the issuer's solvency. Investments in fixed-income and equity instruments are subject to limits per issuer and seek a high degree of geographic correspondence between the issuers of the assets and commitments.

The Credit Risk Management Policy establishes limits according to the risk profile of the counterparty or of the investment instrument, as well as exposure limits related to the counterparty's rating. A system for monitoring and notification of credit risk exposure has also been established.

REINSURANCE ACTIVITY RISKS

The organization of MAPFRE, specializing in various business lines, requires a high degree of autonomy to be granted in the management of its business, in particular in the underwriting of risks and determination of rates, as well as the compensation or service provision in the case of claims.

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

The treatment of services and the adequacy of provisions are basic principles of insurance management. Technical provisions are calculated by the actuarial teams, and their amount is validated by an independent party that did not participate in the calculation. The prevalence of the personal injuries business at MAPFRE, with rapid settlement of claims and the low proportion of long-term risks insured, such as asbestos or professional liability, are elements mitigating this type risk.

MAPFRE's presence in countries highly likely to be prone to catastrophes (earthquakes, hurricanes, etc.) calls for special treatment of this type of risk. Companies exposed to this type of risks have specialized reports on catastrophe exposure, usually prepared by independent experts, which estimate the extent of the losses in the event of a catastrophe occurring. Underwriting catastrophic risks is conducted based on this information and financial capital available to the company that underwrites them Where appropriate, exposure to these types of risks is mitigated by taking out specific reinsurance coverage. In this sense, it is important to highlight the contribution of MAPFRE RE, which provides the Group with its extensive experience in the catastrophe risk market. The company annually determines the global catastrophic capacity that it assigns 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 catastrophe claims in different territories.

MAPFRE's policy with regard to reinsurance risk is to cede business to reinsurers with proven financial capacity (generally with a minimum financial solvency or rating included in the "investment grade" category. Business is ceded to other reinsurers on an exceptional basis after an internal analysis showing the provision of a solvency level equivalent to the previously indicated rating, or if adequate guarantees are provided).

OPERATIONAL RISK

Operational and business process risks are identified and assessed using Riskm@p, a computer application developed internally by MAPFRE to create risk maps for Group companies which analyse the significance and probability of occurrence of the different risks.

Furthermore, Riskm@p is established as the corporate tool for managing control activities (process manuals, inventory controls associated with risks and assessment of their effectiveness), and management of the corrective measures in place to mitigate or reduce the risks and/or improve the control environment.

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

STRATEGIC AND CORPORATE GOVERNANCE RISK

MAPFRE has always applied ethical principles to its business management and indeed these principles form part of its bylaws and day-to-day activities. In order to standardize this business culture and comply with legal governance and management transparency requirements, the Board of Directors of MAPFRE S.A. approved the "MAPFRE Group Institutional, Business and Organizational Principles". These constitute the mandatory minimum framework for all companies in the MAPFRE Group and their respective governing bodies.

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

A) Insurance risk

1. SENSITIVITY TO INSURANCE RISK

This sensitivity analysis measures the effect on capital fluctuations on the increase and decrease of the determining factors of insurance risk (number of insured risks, average premium value, frequency and cost of claims). One measure of the sensitivity to 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 together with the volatility index of the ratio, calculated according to the standard deviation over a five-year time horizon.

ITEM	EFFECT OF VARIATION OF 1 PER CENT OF THE COMBINED RATIO ON RESULT		COMBINED RATIO VOLATILITY INDEX	
	2016	2015	2016	2015
Main activity outside Spain				
- Reinsurance	16,286	15,993	1.5	2.7

Figures in thousands of euros

2. CONCENTRATIONS OF INSURANCE RISK

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

The Group applies a system of procedures and limits which enable the level of concentration of insurance risk to be controlled.

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 by risk

The following tables show the breakdown of accepted reinsurance written premiums classified by type of business underwritten for the last two years:

2016

ITEM	ACCEPTED REINSURANCE			
	LIFE	NON-LIFE		TOTAL
		Catastrophe risks	Other risks	
Accepted reinsurance written premiums	648,245	477,757	3,108,748	4,234,750

Figures in thousands of euros

2015

ITEM	ACCEPTED REINSURANCE			
	LIFE	NON-LIFE		TOTAL
		Catastrophe risks	Other risks	
Accepted reinsurance written premiums	600,645	457,309	2,673,957	3,731,911

Figures in thousands of euros

2. b) Premiums by operating segments and geographic areas

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

2016

GEOGRAPHIC AREA	REINSURANCE		TOTAL
	Life	Non-Life	
SPAIN	39,960	625,842	665,802
UNITED STATES OF AMERICA	7,243	589,199	596,441
BRAZIL	16,421	132,708	149,129
MEXICO	19,742	93,458	113,201
VENEZUELA	19	5,470	5,489
COLOMBIA	10,383	92,842	103,225
ARGENTINA	9,899	96,539	106,438
TURKEY	222	157,398	157,621
CHILE	41,519	108,591	150,109
OTHER COUNTRIES	502,837	1,684,458	2,187,295
TOTAL	**648,245**	**3,586,505**	**4,234,750**

Figures in thousands of euros

2015

GEOGRAPHIC 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
TOTAL	**600,645**	**3,131,266**	**3,731,911**

Figures in thousands of euros

2.c) Premiums by currency

The following table shows the breakdown of accepted reinsurance written premiums by currency in the last two years:

CURRENCY	WRITTEN PREMIUMS	
	2016	2015
Euros	1,735,496	1,345,231
US dollar	1,228,387	1,185,752
Mexican peso	69,775	81,421
Brazilian real	163,500	143,540
Turkish lira	149,617	123,849
Chilean peso	131,870	152,414
Venezuelan bolivar	3,034	9,704
Argentine peso	37,170	37,021
Colombian peso	89,116	81,384
Pound sterling	124,281	161,555
Canadian dollar	22,915	17,259
Philippine peso	14,274	13,348
Other currencies	465,315	379,433
TOTAL	**4,234,750**	**3,731,911**

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	BOOK VALUE COMPANIES				TOTAL	
	GROUP		NON-GROUP			
	2016	2015	2016	2015	2016	2015
Provision for life insurance	226	40	5,860	15,435	6,086	15,475
Provision for outstanding claims	38,602	69,716	404,408	314,892	443,010	384,608
Receivables on ceded and retroceded reinsurance operations	1,822	12,423	105,276	128,725	107,097	141,148
Due on ceded and retroceded reinsurance operations	(14,736)	(17,301)	(55,601)	(63,310)	(70,338)	(80,611)
TOTAL NET POSITION	**25,913**	**64,878**	**459,942**	**395,742**	**485,855**	**460,620**

Figures in thousands of euros

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			
	2016	2015	2016	2015	2016	2015
Maximum	-	-	-	-	-	-
Very high	-	-	200,905	230,269	200,905	230,269
High	33,560	64,709	223,621	127,419	257,181	192,128
Adequate	(7,647)	169	33,812	37,720	26,165	37,889
Weak	-	-	939	826	939	826
Not available	-	-	665	(492)	665	(492)
TOTAL	**25,913**	**64,878**	**459,942**	**395,742**	**485,855**	**460,620**

Figures in thousands of euros

2. CREDIT RISKS ARISING FROM OTHER FINANCIAL INSTRUMENTS

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

CREDIT RATING OF ISSUERS	BOOK VALUE							
	HELD-TO-MATURITY PORTFOLIO		AVAILABLE-FOR-SALE PORTFOLIO		TRADING PORTFOLIO		CASH	
	2016	2015	2016	2015	2016	2015	2016	2015
Maximum	-	-	645,717	592,229	-	-	120	-
Very high	-	-	1,069,239	910,525	-	-	1,432	504
High	-	-	450,087	520,856	3,384	-	124,389	68,619
Adequate	-	-	688,270	654,808	-	-	1,792	38,342
Weak	-	-	141,772	143,316	-	-	9,956	22,286
Not available	-	-	-	-	-	-	2,333	-
TOTAL	**-**	**-**	**2,995,085**	**2,821,734**	**3,384**	**-**	**140,022**	**129,751**

Figures in thousands of euros

There are no fixed-income securities in default for 2016 and 2015.

3. RECEIVABLES

The following table shows the breakdown of the "Receivables" element as of December 31, 2016 and 2015. It also shows impairment losses, reversal gains registered and amounts received for guarantees in the last two years:

ITEM	NET BALANCE ON BALANCE SHEET		IMPAIRMENT				GUARANTEES RECEIVED	
			RECORDED LOSSES		REVERSAL GAINS			
	2016	2015	2016	2015	2016	2015	2016	2015
I. Receivables on reinsurance operations	283,151	451,496	(4,766)	(6,113)	5,683	-	-	-
II. Tax receivables	17,087	8,938	-	-	-	-	-	-
III. Corporate and other receivables	5,734	3,249	-	-	-	-	-	-
TOTAL	**305,972**	**463,683**	**(4,766)**	**(6,113)**	**5,683**	**-**	**-**	**-**

Figures in thousands of euros

C) Liquidity risk

With regard 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 of December 31, 2016, the cash and other liquid assets balance amounted to 140 million euros (129.8 million euros in the preceding year), equivalent to 3.93 per cent (3.91 per cent in 2015) of total financial investments and cash.

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

1. LIQUIDITY RISK ARISING FROM INSURANCE CONTRACTS

The estimated disbursement schedule of insurance liabilities recorded as of December 31, 2016 and 2015 is detailed below. These amounts have not been updated in the case of life insurance provisions:

2016

ITEM	CASH OUTFLOWS ESTIMATED IN YEARS							CLOSING BALANCE
	1st Year	2nd Year	3rd Year	4th Year	5th Year	6th to 10th Year	Subsequent years	
Provision for unearned premiums	1,075,834	145,403	35,489	22,718	16,361	27,051	7,560	1,330,416
Provision for unexpired risks	-	-	-	-	-	-	-	-
Provision for life insurance	313,924	40,353	27,720	20,757	25,115	74,198	47,669	549,736
Provision for outstanding claims	1,450,467	227,679	71,290	39,402	33,110	62,807	32,246	1,917,001
Other technical provisions	-	-	-	-	-	-	-	-
Due on reinsurance operations	298,286	-	-	-	-	-	-	298,286
TOTAL	**3,138,511**	**413,435**	**134,499**	**82,877**	**74,586**	**164,056**	**87,475**	**4,095,439**

Figures in thousands of euros

2015

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

Figures in thousands of euros

D) Market risk

MAPFRE's Risk Management area conducts stress and sensitivity tests of the impact of financial variables on its solvency position.

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

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

INTEREST RATE RISK

The following table details the material information of the last two years with regard to the level of interest rate risk exposure of the 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	
	2016	2015	2016	2015	2016	2015	2016	2015
To maturity	-	-	-	-	-	-	-	-
Available for sale	3,096,661	2,820,288	71,570	137,891	220,816	192,596	3,389,047	3,150,775
Trading	-	3,613	23,794	24,922	11,853	9,930	35,647	38,465
Other investments	5,840	7,692	-	-	-	465	5,840	8,157
TOTAL	**3,102,501**	**2,831,593**	**95,364**	**162,813**	**232,669**	**202,991**	**3,430,534**	**3,197,397**

Figures in thousands of euros

(*) Exposed to variations in fixed interest rate

The following tables display the breakdown of financial investments by maturity, average interest rate and modified duration, for financial years 2016 and 2015:

December 31, 2016

ITEM	FINAL BALANCE	MATURITY TO:						INTEREST RATE %	MODIFIED DURATION %
		1 year	2 years	3 years	4 years	5 years	Subsequent or without maturity		
AVAILABLE-FOR-SALE PORTFOLIO									
Fixed income	2,995,085	403,220	342,228	485,952	323,015	291,431	1,149,239	2%	5%
Other investments	-	-	-	-	-	-	-	-	-
TOTAL AVAILABLE-FOR-SALE PORTFOLIO	**2,995,085**	**403,220**	**342,228**	**485,952**	**323,015**	**291,431**	**1,149,239**		
TRADING PORTFOLIO									
Other	3,384	3,384	-	-	-	-	-	1.40%	0.90%
TOTAL TRADING PORTFOLIO	**3,384**	**3,384**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Figures in thousands of euros

December 31, 2015

ITEM	FINAL BALANCE	MATURITY TO:						INTEREST RATE %	MODIFIED DURATION %
		1 year	2 years	3 years	4 years	5 years	Subsequent or without maturity		
AVAILABLE-FOR-SALE PORTFOLIO									
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	-	-
TOTAL AVAILABLE-FOR-SALE PORTFOLIO	**3,150,775**	**239,372**	**368,507**	**319,083**	**524,170**	**352,975**	**1,343,667**		
TRADING PORTFOLIO									
Other	38,465	-	-	-	-	-	38,465	8.12%	-
TOTAL TRADING PORTFOLIO	**38,465**	**-**	**-**	**-**	**-**	**-**	**38,465**	**-**	**-**

Figures in thousands of euros

Modified duration reflects the sensitivity of the value of the assets to movements in interest rates, and represents an approximation of the percentage variation that the value of financial assets would experience for every percentage point (100 b.p.) of variation of interest rates.

The balances included in the "Receivables" element of the balance sheet assets, and in the "Debts" element of the balance sheet liabilities, do not accrue interest and, generally, their payment is produced in the following year.

EXCHANGE RATE RISK

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

CURRENCY	ASSETS		LIABILITY		TOTAL NET	
	2016	2015	2016	2015	2016	2015
Euros	3,077,078	2,776,394	1,923,724	1,723,027	1,153,354	1,053,366
US dollar	1,455,059	1,457,517	1,039,519	1,036,734	415,540	420,783
Mexican peso	21,912	21,878	42,706	54,277	(20,794)	(32,399)
Brazilian real	290,367	203,244	264,458	182,820	25,910	20,425
Turkish lira	75,750	46,295	127,783	92,522	(52,033)	(46,226)
Chilean peso	26,902	178,185	102,602	221,488	(75,700)	(43,304)
Venezuelan bolivar	2,322	-	859	196	1,463	(196)
Argentine peso	48,086	39,992	25,272	23,920	22,814	16,072
Colombian peso	42,548	28,946	134,256	130,458	(91,708)	(101,513)
Pound sterling	131,366	151,803	121,880	131,511	9,486	20,293
Canadian dollar	49,335	38,048	39,194	14,113	10,141	23,935
Philippine peso	15,891	8,080	18,330	15,738	(2,439)	(7,658)
Other currencies	342,285	356,605	458,894	506,013	(116,609)	(149,408)
TOTAL	**5,578,901**	**5,306,987**	**4,299,477**	**4,132,817**	**1,279,424**	**1,174,170**

Figures in thousands of euros

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 future results of the Group 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 in which its operations are located.

STOCK MARKET RISK

The following table shows the book value of equities 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 per cent) for the last two years:

PORTFOLIO	BOOK VALUE		VaR	
	2016	2015	2016	2015
Available for sale	220,816	192,596	122,680	76,517
Trading	11,854	13,543	-	-
TOTAL	**232,670**	**206,139**	**122,680**	**76,517**

Figures in thousands of euros

PROPERTY RISK

MAPFRE RE has, in its consolidated group, property assets representing approximately 1.49 per cent of total investments and cash, of which approximately 1.40 per cent corresponds to its own offices. This property serves the dual function of providing administrative and sales support, as well as generating investment income and diversifying investments. The following table details the breakdown of these property assets:

CONCEPTO	NET BOOK VALUE		MARKET VALUE	
	2016	2015	2016	2015
Property investments	6,375	5,152	6,374	6,622
Property for own use	49,752	7,381	50,983	9,078
TOTAL	**56,127**	**12,533**	**57,357**	**15,700**

Figures in thousands of euros

Unrealized gains would offset a fall in the price of properties equivalent to approximately 2.14 per cent of their market value.

IMPLEMENTATION OF INTERNAL CAPITAL MODELS

MAPFRE RE undertook, during 2005, the implementation of an internal capital model which determines, through a stochastic process, the required solvency margin depending on the risks assumed by the company itself.

The proprietary internal 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 premium portfolio, the composition of the company's investments and other assets. These scenarios are obtained by combining various financial and reinsurance business assumptions. From this, the probability distribution of results is determined, and the financial capital required to ensure the company's solvency with a confidence interval of 99.6 per cent 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

During the last two years, no conflicts of interest have been produced, either direct or indirect, between the directors or individuals associated with them and the Company.

8.1 FEES EARNED BY AUDITORS

The annual statements of MAPFRE RE and the main entities of the Group correspond to the 2016 and 2015 financial years, and have been audited by the firm KPMG, with the exception of the subsidy domiciled in Chile, whose auditor is EY.

The remuneration earned by the main auditor, KPMG, are detailed as follows, and are not considered to compromise its independence:

	2016	2015
Audit services	174,738	167,039
Other verification services	44,170	26,634
Tax services	15,621	140,062
Other services	35,799	3,721
Total services main auditor	**270,328**	**337,456**

Figures in thousands of euros

Fees for account audit services rendered by auditors other than the main auditor amounted to 20,349 euros in 2016 (20,089 euros in 2015).

8.2 ENVIRONMENTAL INFORMATION

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

8.3 PAYMENT DEFERRAL

The details of payments made to providers in the last two years are shown below.

	2016	2015
	Days	Days
Average provider payment period	8.09	8.42
Ratio of paid operations	8.10	8.50
Ratio of operations pending payment	3.14	4.42
	Amount	Amount
Total payments made	**22,365**	**23,792**
Total pending payments	**174**	**463**

In 2015, the Supreme Court passed a judgment which entirely dismissed the appeal brought by the State Attorney and ruled that the Administration should bear the costs of the proceedings. As such, the penalty imposed on MAPFRE was finally annulled via the decennial insurance of the National Competition Commission.

Table of subsidiaries and associates 2016

NAME	COUNTRY	EFFECTIVE TAX RATE	ACTIVITY	% SHARE		DATA AS OF YEAR END 2016				
				Holder	Share capital	Assets	Equity	Revenues	Result of the period	Method or procedure of consolidation
CIAR INVESTMENTS	45, Rue de Trèves Bruselas (Belgium)	34%	Real Estate	Mapfre Re	99.9900%	9,744	8,998	573	26	A
				Mapfre Internacional	0.0100%					
MAPRE CHILE REASEGUROS S.A.	Avda. Apoquindo 4499-8º Santiago de Chile (Chile)	20%	Holding	Mapfre Re	100.0000%	169,181	41,096	39,333	(8,072)	A
F. ALCORTA S.A.	Bouchard 547 piso 14 Buenos Aires (Argentina)	35%	Property (in liquidation)	Mapfre Re	99.9985%	-	-	-	-	C
MAPFRE RE DO BRASIL COMPAÑÍA DE REASEGUROS	Rua Olimpiadas 242 5º Andar Sao Paulo (Brazil)	15%	Reinsurance	Mapfre Re	99.9999%	240,659	50,141	90,342	8,355	A
MAPFRE RE COMPAÑÍA DE REASEGUROS ESCRITORIO DE REPRESENTAÇAO NO BRASIL LTDA	Rua Olimpiadas 242 5º Andar Sao Paulo (Brazil)	15%	Representation services	Mapfre Re	99.9999%	47	47	-	-	C
MAPFRE MANDATOS Y SERVICIOS S.A.	Bouchard 547 piso 14 Buenos Aires (Argentina)	35%	Services	Mapfre Re	95.0000%	20	20	-	(4)	C
				Mapfre Argentina	5.0000%					
MAPFRE INTERNET S.A. (TECH)	Ctra. de Pozuelo a Majadahonda nº 52 Madrid (Spain)	25%	Computing	Mapfre Re	0.8002%	63,395	1,221	26,033	108	C
VENEASISTENCIA C.A.	Avda. Libertador Penthouse A y B Caracas (Venezuela)	34%	Travel Assistance	Mapfre Re	0.0020%	920	655	463	(180)	C
REINSURANCE MANAGEMENT INC.	100 Campus Drive 07932 New Jersey (USA)	35%	Insurance and Reinsurance	Mapfre Re	100.0000%	1,049	20	-	-	A
CAJA REASEGURADORA DE CHILE	Ava. Apoquindo 4499-8º Santiago de Chile (Chile)	20%	Reinsurance	M. Chile Re	99.8467%	135,971	10,117	36,350	(9,330)	A
INMOBILIARIA COSTA DE MONTEMAR, S.A.	Ava. Apoquindo 4499-8º Santiago de Chile (Chile)	24%	Real Estate	M. Chile Re	31.4400%	-	1,091	-	-	B
C R ARGENTINA S.A.	Bouchard 547 piso 14 Buenos Aires (Argentina)	35%	Services, Consulting	M. Chile Re	99.9960%	50	38	-	-	A

Figures in thousands of euros

Table of subsidiaries and associates 2015

NAME	COUNTRY	EFFECTIVE TAX RATE	ACTIVITY	% SHARE		DATA AS OF YEAR END 2015				
				Holder	Share capital	Assets	Equity	Revenues	Result of the period	Method or procedure of consolidation
CIAR INVESTMENTS	45, Rue de Trèves Bruselas (Belgium)	34%	Real Estate	Mapfre Re	99.9900%	9,645	8,583	496	(32)	A
				Mapfre Internacional	0.0100%					
MAPRE CHILE REASEGUROS S.A.	Avda. Apoquindo 4499-8º Santiago de Chile (Chile)	20%	Holding	Mapfre Re	100.0000%	146,887	42,419	49,812	871	A
F. ALCORTA S.A.	Bouchard 547 piso 14 Buenos Aires (Argentina)	35%	Property (in liquidation)	Mapfre Re	99.9985%	-	-	-	-	C
MAPFRE RE DO BRASIL COMPAÑÍA DE REASEGUROS	Rua Olimpiadas 242 5º Andar Sao Paulo (Brazil)	15%	Reinsurance	Mapfre Re	99.9999%	162,703	34,609	68,162	6,874	A
MAPFRE RE COMPAÑÍA DE REASEGUROS ESCRITORIO DE REPRESENTAÇAO NO BRASIL LTDA	Rua Olimpiadas 242 5º Andar Sao Paulo (Brazil)	15%	Representation services	Mapfre Re	99.9999%	47	47	-	-	C
MAPFRE MANDATOS Y SERVICIOS S.A.	Bouchard 547 piso 14 Buenos Aires (Argentina)	35%	Services	Mapfre Re	95,0000%	20	20	-	(4)	C
				Mapfre Argentina	5.0000%					
MAPFRE INTERNET S.A. (TECH)	Ctra. de Pozuelo a Majadahonda nº 52 Madrid (Spain)	25%	Computing	Mapfre Re	1.0000%	68,190	2,266	239,880	-	C
MAPFRE INFORMATICA A.I.E.	Ctra de Pozuelo a Majadahonda nº 52 Madrid (Spain)	30%	Computing	Mapfre Re	1.0000%					C
VENEASISTENCIA C.A.	Avda. Libertador Penthouse A y B Caracas (Venezuela)	34%	Travel Assistance	Mapfre Re	0.0020%	1,445	525	858	(386)	C
REINSURANCE MANAGEMENT INC.	100 Campus Drive 07932 New Jersey (USA)	35%	Insurance and Reinsurance	Mapfre Re	100.0000%	1,030	19	-	-	A
CAJA REASEGURADORA DE CHILE	Ava. Apoquindo 4499-8º Santiago de Chile (Chile)	20%	Reinsurance	M. Chile Re	99.8467%	113,019	12,757	38,195	182	A
INMOBILIARIA COSTA DE MONTEMAR, S.A.	Ava. Apoquindo 4499-8º Santiago de Chile (Chile)	24%	Real Estate	M. Chile Re	31.4400%	4,959	3,802	-	-	B
C R ARGENTINA S.A.	Bouchard 547 piso 14 Buenos Aires (Argentina)	35%	Services, Consulting	M. Chile Re	99.9960%	71	54	-	-	A

Figures in thousands of euros

Consolidation method or procedure

A. Subsidiaries consolidated by global integration

B. Associated and investee companies consolidated by the equity method

C. Associated and investee companies excluded from consolidation

04

Audit report for the Annual Consolidated Financial Statements 2016

KPMG Auditores, S.L.
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 2016 and the consolidated income statement, 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 Directors are responsible for the preparation of the accompanying consolidated annual accounts in such a way that they 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 entity's preparation of the annual accounts in order to 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 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. at 31 December 2016 and of their financial performance and consolidated cash flows for the year then ended in accordance with the 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 2016 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 annual accounts. We have verified that the accounting information contained therein is consistent with that disclosed in the consolidated annual accounts for 2016. 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 2017

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Individual Management Report

MAPFRE RE registered an increase in written premiums and revenues, positive earnings and equity, in line with that registered in the previous year.

The strong competition on rates and conditions in the reinsurance market continues due to the lack of major catastrophes and slow growth in key markets. This, together with the consolidation of reinsurance programs by large insurance companies, has resulted in a reduction in the premium volume available for reinsurers.

Some operators have turned to mergers and acquisitions with other reinsurance or insurance companies in order to diversify their portfolio, both in terms of business line as well as geographically, and to adjust their shareholders' equity in an environment of low profitability through capital reductions or the payment of extraordinary dividends. However, the aforementioned absence of catastrophes has made it possible to continue generating positive results, although they were lower than in previous years, falling to single digits.

Business performance

Income Statement

Accepted premiums totaled 4,139.35 million euros, up 13.5 per cent compared to those posted the previous year. Net premiums reached 2,615.7 million euros, which represents an increase of 7.6 per cent compared to the previous year.

The combined ratio of the life and non-life business was 96.6 per cent, including a 68.1 per cent claims ratio, with commissions and other acquisition and management expenses amounting to 28.5 per cent.

The underwriting result amounted to 88.5 million euros. Net financial income reached 164.9 million euros.

The profit and loss statement shows earnings before tax and non-controlling interests amounting to 248.5 million euros, in line with those recorded in the previous year, which reached 195.3 million euros. Net profit after tax and non-controlling interests reached 186.3 million euros, slightly higher than in the previous year, in which it amounted to 146.8 million euros.

Balance Sheet

Equity amounted to 1,217.8 million euros.

Net technical provisions reached 2,845.8 million euros, representing 8.8 per cent of net earned premiums.

Financial investments totaled 3,315.9 million euros. This figure comprises financial assets held for trading reaching 24.6 million euros, financial assets available for sale in the amount of 3,101.9 million euros, cash and other equivalent liquid assets reaching 135.8 million euros, and shares in affiliate companies of the Group which reached 53.6 million euros.

Total assets amounted to 5,257.6 million euros.

Main activities

On December 1, 2016, ownership of the building located at Paseo de Recoletos 25, Madrid, which is MAPFRE RE's current registered address, was acquired from Fundación MAPFRE.

Commercial initiatives

The two new offices in Singapore and Labuan, authorized by the respective regulators in 2015, have begun operating very positively. They entered the market providing assistance to 162 clients in Singapore and 69 in Kuala Lumpur.

Similarly, the possible conversion of the representative office in China into a branch continues to be studied.

In the remaining geographic areas, strong commercial activity has also been maintained with clients and brokers, among which the 25th anniversary of the offices in Lisbon, London and Bogota can be highlighted.

Underwriting management and customer services

The 2016 financial year was marked by significant claims originating from the El Niño climate phenomenon, which affected the agricultural industry both on the Pacific and Atlantic coasts. Within this business line, training seminars were held or sponsored in Turkey and Colombia. Similarly, MAPFRE RE sponsored the International Association of Agricultural Production Insurers (AIAG) seminar held in Holland, with the presence of loss adjusters from the European market.

To develop personal insurance lines, courses and seminars on risk processes, selection and underwriting were held in Mexico, Panama, Chile, Colombia, Argentina, Italy and Malta, with the attendance of 300 people.

MAPFRE RE actively collaborates as a speaker at market events organized by different institutions. The company participated in conferences related to innovation and medical insurance in Italy and France, and sponsored the biannual conference of European Life & Health Underwriters' Association held in Madrid.

An actuarial tool has been developed to analyze catastrophe risk for the Group, linked to current reinsurance coverage.

During 2016, the Innovation Area was launched to identify trends and changes that bring with them business opportunities for our clients and partners.

The traditional International Forum was held in Madrid with 13 participants from 12 countries, of which five were from Europe and seven from the Asia-Pacific region. Furthermore, a portal was launched on the website with the aim of providing online training to clients.

The new employees in the Singapore office took part in technical training courses to standardize underwriting criteria.

All of these initiatives are evidence of MAPFRE RE's technical commitment and service vocation, and the close relationship with its international clients.

Information and technology systems

The complexity of new legal requirements and the opening of new offices have fostered the strengthening of the workforce with highly-qualified professionals, both at central services and in our offices around the world.

The information systems and internal processes have responded adequately to the coming into effect of the Solvency II Directive on January 1, 2016. The implementation of new processes and applications has continued, and corporate policies have been adopted in relation to compliance with Solvency II. Similarly, the first ORSA (Own Risk and Solvency Assessment) and actuarial report have been submitted to the competent body. Internal training courses on Solvency II have also been conducted.

The incorporation of information processes should be highlighted, such as the exchange of technical account information using the Ruschlikon Lite method in the ACORD format with reinsurance companies and brokers; the study of catastrophe exposures of the MAPFRE Group in accordance with several parameters; improvements in the CONDOR system's collections and payments module; the development of a CRM for the business directory; a new HTML5 version of the MARASEL risk selection system in the life insurance business; and a series of applications to automate internal management reports. This will enable more agile and precise management of the information handled by the company.

Companies

MAPFRE RE DO BRASIL generated revenue of 65.1 million euros and earnings before tax of 12.7 million euros, with shareholders' equity reaching 50.1 million euros as of the end of the period. These results were achieved in a competitive environment hindered by low economic growth, although the local currency showed some recovery against the euro.

INVERSIONES IBÉRICAS and MAPFRE CHILE REASEGUROS produced revenues of 37.1 million euros and earnings before tax of -7.9 million euros, ending the year with shareholders' equity of 54.5 million euros.

Outlook

A moderate recovery in developed economies, a slight increase in interest rates and greater underwriting discipline are forecast, which should enable positive underwriting results —necessary to face the volatility of financial markets and the inevitable occurrence of major catastrophes— to be obtained. Merger and acquisition processes will continue with the objective of increasing scale, diversification, and cost and capital savings.

Subsequent events

No material events potentially impacting on the outlook or forecasts for the current year have occurred since the time of closing this report.

No subsequent events affecting the financial statements as of December 31, 2016 have occurred.

Additional notes

Environmental information

In 2016, the Group continued to implement initiatives to ensure compliance with the commitments assumed under the Corporate Environmental Policy. In particular, it has focused on transparently demonstrating its performance with regard to environmental issues that are considered material, both internally and with external stakeholders, as well as strengthening the global commitment undertaken in this regard.

In accordance with the guidelines defined in the Integrated Environmental, Energy and Carbon Footprint Management System (SIGMAYE), MAPFRE implements environmental initiatives in accordance with ISO 14001, ISO 50001 and ISO 14064. The multidisciplinary design and global nature of SIGMAYE enable both global and specific local objectives to be established, ensuring compliance with the applicable legislation in force and providing minimum mandatory criteria in countries where the legislation is less developed.

With regard to climate change mitigation and adaptation, continued progress has been made with the initiatives defined in the Strategic Plan for Energy Efficiency and Climate Change, the objective of which is to reduce Group emissions by 20 per cent by 2020. In this regard, the procurement of electricity from renewable sources for the entirety of MAPFRE's installations in Spain can be highlighted.

Actions on this subject have led, for a second consecutive year, to CDP (Carbon Disclosure Project) acknowledging MAPFRE as a global leader in the fight against climate change, including it in its Climate A-List.

Regarding biodiversity conservation, for the first time since joining the Biodiversity Pact launched by the Spanish Business and Biodiversity Initiative, MAPFRE published a report on biodiversity (Informe sobre Biodiversidad 2013-2016) describing activities such as the protection of the Arctic and the species that live there through the collaboration agreement with WWF to support the "NI UN GRADO MÁS" (Not One Degree More) campaign.

Furthermore, coinciding with World Environment Day, the objective of which in 2016 was "Zero tolerance for illegal trade in wildlife", MAPFRE produced a guide on endangered species and distributed it in every country in which it operates. The company also added a new section to the employee guides on safe travel abroad regarding the restrictions that apply to endangered species trafficking, and other useful guidelines on environmental matters.

Personnel

The workforce that provided services to the company as of the year end can be broken down as follows:

CATEGORY	2016	2015	2014
Managers	44	47	47
Administrative	20	29	29
Other	115	94	81
TOTAL	**179**	**170**	**157**

Investments

With regard to financial investments, MAPFRE RE's policy to mitigate its exposure to this type of risk has been 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. As such, the portfolio of fixed-income securities is composed mostly of securities with high credit ratings.

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

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Individual Annual Accounts

Balance sheet as on December 31, 2016 and 2015

A) ASSET	Notes from the Annual Report	2016	2015
A-1) Cash and other equivalent liquid assets	**9**	**135,818**	**122,611**
A-2) Financial assets held for trading	**9**	**24,581**	**25,665**
I. Equity instruments	9	21,197	25,665
II. Debt securities	-	3,384	-
III. Derivatives	-	-	-
IV. Other	-	-	-
A-3) Other financial assets at fair value with changes in gains and losses	**9**	**80**	**84**
I. Equity instruments	9	80	84
II. Debt securities	-	-	-
III. Hybrid instruments	-	-	-
IV. Investments on behalf of life insurance policyholders bearing the investment risk	-	-	-
V. Other	-	-	-
A-4) Financial assets available for sale	**9**	**3,101,890**	**2,921,493**
I. Equity instruments	9	393,962	329,041
II. Debt securities	9	2,707,928	2,592,452
III. Investments on behalf of life insurance policyholders bearing the investment risk	-	-	-
IV. Other	-	-	-
A-5) Loans and receivables	**-**	**971,782**	**1,083,089**
I. Debt securities	-	-	-
II. Loans	-	-	-
1. Advances on policies	-	-	-
2. Loans to group companies and associates	-	-	-
3. Loans to other related entities	-	-	-
III. Deposits with credit institutions	9	4,783	4,210
IV. Deposits established for accepted reinsurance	9	711,641	657,628
V. Receivables on direct insurance operations	-	-	-
1. Policyholders	-	-	-
2. Intermediaries	-	-	-
VI. Receivables on reinsurance operations	9	241,889	410,191
VII. Receivables on co-insurance operations	-	-	-
VIII. Called capital	-	-	-
IX. Other receivables	-	13,469	11,060
1. Receivables with public administrations	-	8,241	5,889
2. Remaining receivables	9	5,228	5,171
A-6) Investments held to maturity	**-**	**-**	**-**
A-7) Hedging derivatives	**-**	**-**	**-**
A-8) Participation of reinsurance in technical provisions	**10**	**696,471**	**630,121**
I. Provision for unearned premiums	-	293,697	262,125
II. Provisions for life insurance	-	5,877	15,441
III. Provision for outstanding claims	-	396,897	352,555
IV. Other technical provisions	-	-	-
A-9) Property, plant and equipment and property investments	**-**	**35,465**	**4,359**
I. Property, plant and equipment	5	34,186	4,359
II. Property investments	6	1,279	-
A-10) Intangible fixed assets	**-**	**575**	**1,033**
I. Goodwill	-	-	-
II. Financial rights derived from policy portfolios acquired from intermediaries	-	-	-
III. Other intangible assets	7	575	1,033
A-11) Holdings in group, multi-group and associated companies	**9 and Appendix 1**	**53,560**	**53,604**
I. Holdings in associated companies	9	200	244
II. Holdings in multi-group companies	-	-	-
III. Holdings in group companies	9	53,360	53,360
A-12) Tax assets	**-**	**33,869**	**28,951**
I. Current tax assets	-	5,165	-
II. Deferred tax assets	12	28,704	28,951
A-13) Other assets	**-**	**203,523**	**209,857**
I. Assets and long-term reimbursement rights for personnel	-	1,404	532
II. Anticipated commissions and other acquisition expenses	-	-	
III. Accruals	-	202,119	209,312
IV. Remaining assets	-	-	13
A-14) Assets held for sale	**-**	**-**	**-**
TOTAL ASSETS	**-**	**5,257,614**	**5,080,867**

(Figures in thousands of euros)

LIABILITIES AND EQUITY	Notes from the Annual Report	2016	2015
A) LIABILITIES			
A-1) Financial liabilities held for trading	**-**	**-**	**-**
A-2) Other financial liabilities at fair value with changes in gains and losses	**-**	**-**	**-**
A-3) Debits and payables	**-**	**367,587**	**465,231**
I. Subordinated liabilities	-	-	-
II. Deposits received for ceded reinsurance	9	43,763	60,323
III. Payables for insurance operations	-	-	-
1. Payables with insured parties	-	-	-
2. Payables with intermediaries	-	-	-
3. Conditional payables	-	-	-
IV. Payables on reinsurance operations	9	275,587	378,029
V. Payables on co-insurance operations	-	-	-
VI. Debentures and other negotiable securities	-	-	-
VII. Due to credit institutions	-	-	-
VIII. Payables for preparatory operations of insurance contracts	-	-	-
IX. Other payables:	-	48,237	26,879
1. Payables to public administrations	-	20,435	10,403
2. Other payables to group companies and associates	9	26,083	11,442
3. Remaining other payables	9	1,719	5,034
A-4) Hedging derivatives	**-**	**-**	**-**
A-5) Technical provisions	**10 and 21**	**3,542,320**	**3,334,854**
I. Provision for unearned premiums	-	1,298,201	1,249,675
II. Provision for unexpired risks	-	-	-
III. Provisions for life insurance	-	452,482	372,126
1. Provision for unearned premiums	-	452,482	372,126
2. Provision for unexpired risks	-	-	-
3. Mathematical reserve	-	-	-
4. Provision for life insurance where the policyholder bears the in-vestment risk	-	-	-
IV. Provision for outstanding claims	-	1,791,637	1,713,053
V. Provision for profit sharing and return premiums	-	-	-
VI. Other technical provisions	-	-	-
A-6) Non-technical provisions	**14**	**7,643**	**8,998**
I. Provisions for taxes and other legal contingencies	-	-	-
II. Provision for pensions and similar obligations	14	2,807	2,172
III. Provision for payments through settlement agreements	-	-	-
IV. Other non-technical provisions	14	4,836	6,826
A-7) Tax liabilities	**-**	**50,606**	**58,846**
I. Current tax liabilities	-	-	-
II. Deferred tax liabilities	12	50,606	58,846
A-8) Remaining liabilities	**-**	**71,656**	**71,566**
I. Accruals	-	71,647	71,560
II. Liabilities for accounting mismatches	-	-	-
III. Commissions and other acquisition expenses for ceded reinsur-ance	-	-	-
IV. Other liabilities	-	9	6
A-9) Liabilities linked to assets held for sale	**-**	**-**	**-**
TOTAL LIABILITIES	**-**	**4,039,812**	**3,939,495**

(Figures in thousands of euros)

Balance sheet as on December 31, 2016 and 2015 (continued)

LIABILITIES AND EQUITY	Notes from the Annual Report	2016	2015
B) EQUITY			
B-1) Shareholders' equity	**-**	**1,120,078**	**1,038,348**
I. Capital or mutual fund	10	223,916	223,916
1. Issued capital or mutual fund	-	223,916	223,916
2. (Uncalled capital)	-	-	-
II. Share premium	-	220,565	220,565
III. Reserves	-	147,020	161,178
1. Legal and statutory	9	44,783	44,783
2. Stabilization reserve	-	41,704	58,764
3. Other reserves	-	60,533	57,631
IV. (Treasury stock)	-	-	-
V. Results from previous years	-	432,549	400,148
1. Surplus	3	432,953	400,412
2. (Negative results from previous years)	-	(404)	(264)
VI. Other contributions from partners and mutual societies	-	-	-
VII. Result for the period	3	186,317	146,757
VIII. (Interim dividend and stabilization reserve)	3 and 10	(90,289)	(114,216)
IX. Other equity instruments	-	-	-
B-2) Revaluation adjustments:	**9**	**97,724**	**103,024**
I. Financial assets available for sale	-	97,189	101,728
II. Hedging operations	-	-	-
III. Foreign exchange and conversion differences	-	535	1,296
IV. Accounting mismatch corrections	-	-	-
V. Other adjustments	-	-	-
B-3) Subsidies, donations and endowments received	**-**	**-**	**-**
TOTAL EQUITY	**-**	**1,217,802**	**1,141,372**
TOTAL LIABILIT	**-**	**5,257,614**	**5,080,867**

(Figures in thousands of euros)

Profit and loss account for years ended December 31, 2016 and 2015

PROFIT AND LOSS ACCOUNT	Notes from the Annual Report	2016	2015
I. TECHNICAL ACCOUNT - NON-LIFE INSURANCE			
I.1. Earned premium, Net of Reinsurance	**22**	**2,139,936**	**1,799,516**
a) Earned premiums	-	3,535,765	3,091,728
a.1) Direct insurance	-	-	-
a.2) Accepted reinsurance	21 y 22	3,535,765	3,091,728
a.3) Variation of the impairment correction for premiums pending collection (+ or -)	-	-	-
b) Premiums from ceded reinsurance (-)	22	(1,378,876)	(1,174,432)
c) Variation of the provisions for unearned premiums and unexpired risks (+ or -)	22	(48,526)	(106,956)
c.1) Direct insurance	-	-	-
c.2) Accepted reinsurance	-	(48,526)	(106,956)
d) Variation of the provision for unearned premiums, ceded reinsurance (+ or -)	-	31,573	(10,824)
I.2. Revenues from property, plant and equipment and investments	**-**	**489,397**	**705,892**
a) Revenues from property investments	-	-	-
b) Revenues from financial investments	9	456,183	667,234
c) Application of value corrections for the impairment of property, plant and equipment and investments	-	-	-
c.1) From property, plant and equipment and property investments	-	-	-
c.2) From financial investments	-	-	-
d) Profits from the sale of property, plant and equipment and investments	-	33,214	38,658
d.1) From property, plant and equipment and property investments			
d.2) From financial investments	9	33,214	38,658
I.3. Other Technical Revenues	**-**	**-**	**-**
I.4. Claims for the Period, Net of Reinsurance	**-**	**1,390,122**	**1,159,718**
a) Outstanding claims and expenses paid	-	1,350,221	1,127,947
a.1) Direct insurance	-	-	-
a.2) Accepted reinsurance	22	1,965,426	1,799,277
a.3) Ceded reinsurance (-)	22	(615,205)	(671,330)
b) Variation in the provision for outstanding claims (+ or -)	-	39,801	31,679
b.1) Direct insurance	-	-	-
b.2) Accepted reinsurance	22	76,663	22,950
b.3) Ceded reinsurance (-)	22	(36,862)	8,729
c) Claims-related expenses	-	100	92
I.5. Variation in Other Technical Provisions, Net of Reinsurance (+ or -)	**-**	**-**	**-**
I.6. Profit Sharing and Return Premiums	**-**	**-**	**-**
a) Outstanding claims and expenses for profit sharing and return premiums		-	-
b) Variation in the provision for profit sharing and return premiums (+ or -)	-	-	-
I.7. Net Operating Expenses	**-**	**622,552**	**523,892**
a) Acquisition expenses	22	908,521	726,659
b) Administration expenses	22	9,328	9,933
c) Commissions and participation in ceded and retroceded reinsurance	22	(295,297)	(212,700)
I.8. Other Technical Expenses (+ or -)	**-**	**(197)**	**6,450**
a) Variation of impairment for insolvencies (+ or -)	8	(919)	6,113
b) Variation of impairment of fixed assets (+ or -)	-	-	-
c) Variation of outstanding claims settlement agreements (+ or -)	-	-	-
d) Other	-	722	337
I.9. Expenses from property, plant and equipment and investments	**-**	**415,019**	**637,810**
a) Expenses from investment management	9	407,080	626,280
a.1) Expenses from property, plant and equipment and property investments	-	-	-
a.2) Expenses from investments and financial accounts	9	407,080	626,280
b) Value corrections for property, plant and equipment and investments	-	395	545
b.1) Amortization of property, plant and equipment and property investments	-	50	27
b.2) Impairment of property, plant and equipment and property investments	-	345	518
b.3) Impairment of financial investments	-	-	-
c) Losses resulting from property, plant and equipment and investments	9	7,544	10,985
c.1) From property, plant and equipment and property investments	-	-	-
c.2) From financial investments	9	7,544	10,985
I.10. Subtotal (Result from Technical Non-Life Insurance Account)	**-**	**201,837**	**177,538**

(Figures in thousands of euros)

Profit and loss account for years ended December 31, 2016 and 2015
(continued)

PROFIT AND LOSS ACCOUNT	Notes from the Annual Report	2016	2015
II. TECHNICAL ACCOUNT - LIFE INSURANCE			
II.1. Earned premium, Net of Reinsurance	**22**	**475,744**	**412,841**
a) Earned premiums	-	603,585	554,678
a.1) Direct insurance	-	-	-
a.2) Accepted reinsurance	21 and 22	603,585	554,678
a.3) Variation of the impairment correction for premiums pending collection (+ or -)	-	-	-
b) Premiums from ceded reinsurance (-)	22	(37,921)	(40,074)
c) Variation of the provision for unearned premiums or unexpired risks (+ or -)	-	(80,356)	(102,669)
c.1) Direct insurance	-	-	-
c.2) Accepted reinsurance	22	(80,356)	(102,669)
d) Variation of the provision for unearned premiums, ceded reinsurance (+ or -)	22	(9,564)	906
II.2. Revenues from property, plant and equipment and investments	**-**	**153,936**	**173,758**
a) Revenues from property investments	-	-	-
b) Revenues from financial investments	8	144,237	164,843
c) Application of value corrections for the impairment of property, plant and equipment and in-vestments	-	-	-
c.1) From property, plant and equipment and property investments	-	-	-
c.2) From financial investments	-	-	-
d) Profits from the sale of property, plant and equipment and investments	-	9,699	8,915
d.1) From property plant and equipment and property investments	-	-	-
d.2) From financial investments	8	9,699	8,915
II.3. Revenues from investments subject to insurance in which the policyholder bears the investment risk	**-**	**-**	**-**
II.4. Other Technical Revenues	**-**	**-**	**-**
II.5. Claims for the Period, Net of Reinsurance	**-**	**390,911**	**368,085**
a) Outstanding claims and expenses paid	-	396,461	425,612
a.1) Direct insurance	-	-	-
a.2) Accepted reinsurance	22	421,191	441,224
a.3) Ceded reinsurance (-)	22	(24,730)	(15,612)
b) Variation in the provision for outstanding claims (+ or -)	-	(5,559)	(57,537)
b.1) Direct insurance	-	-	-
b.2) Accepted reinsurance	22	1,921	(58,484)
b.3) Ceded reinsurance (-)	22	(7,480)	947
c) Claims-related expenses	-	9	10
II.6. Variation in Other Technical Provisions, Net of Reinsurance (+ or -)	**-**	**-**	**-**
a) Provisions for life insurance	-	-	-
a.1) Direct insurance	-	-	-
a.2) Accepted reinsurance	-	-	-
a.3) Ceded reinsurance (-)	-	-	-
Provisions for life insurance in which the policyholder bears the investment risk	-	-	-
b) Other technical provisions	-	-	-

PROFIT AND LOSS ACCOUNT	Notes from the Annual Report	2016	2015
II.7. Profit Sharing and Return Premiums	**-**	**-**	**-**
a) Outstanding claims and expenses for profit sharing and return premiums	-	-	-
b) Variation in the provision for profit sharing and return premiums (+ or -)	-	-	-
II.8. Net Operating Expenses	**-**	**122,809**	**107,815**
a) Acquisition expenses	22	132,392	124,514
b) Administration expenses	22	787	1,097
c) Commissions and holdings in ceded and retroceded reinsurance	22	(10,370)	(17,796)
II.9. Other Technical Expenses	**-**	**83**	**42**
a) Variation of impairment for insolvencies (+ or -)	-	-	-
b) Variation of impairment of fixed assets (+ or -)	-	-	-
c) Other	-	83	42
II.10. Expenses for property, plant and equipment and investments	**-**	**78,659**	**98,513**
a) Management expenses from property, plant and equipment and investments	9	76,357	95,747
a.1) Expenses from property, plant and equipment and property investments	-	-	-
a.2) Expenses from investments and financial accounts	9	76,357	95,747
b) Value corrections for property, plant and equipment and investments	-	107	132
b.1) Amortization of property, plant and equipment and property investments	-	4	3
b.2) Impairment of property, plant and equipment and property investment	-	103	129
b.3) Impairment of financial investments	-	-	-
c) Losses resulting from property, plant and equipment and investments	9	2,195	2,634
c.1) From property, plant and equipment and property investments	-	-	-
c.2) From financial investments	9	2,195	2,634
II.11. Expenses from investments subject to insurance in which the policyholder bears the in-vestment risk	**-**	**-**	**-**
II.12. Subtotal, (Results from the Life Insurance Technical Account)	**-**	**37,218**	**12,144**

(Figures in thousands of euros)

Profit and loss account for years ended December 31, 2016 and 2015
(continued)

PROFIT AND LOSS ACCOUNT	Notes from the Annual Report	2016	2015
III. NON-TECHNICAL ACCOUNT			
III.1. Revenues from property, plant and equipment and investments	**-**	**30,857**	**27,160**
a) Revenues from property investments	-	1	-
b) Revenue from financial investments	9	26,742	22,564
c) Application of value corrections for the impairment of property, plant and equipment and investments	-	-	-
c.1) From property, plant and equipment and property investments	-	-	-
c.2) From financial investments	-	-	-
d) Profit from the sale of property, plant and equipment	-	4,114	4,596
d.1) From property plant and equipment and property investments	5	-	68
d.2) From financial investments	9	4,114	4,528
III.2. Expenses from property, plant and equipment and investments	**-**	**18,158**	**18,075**
a) Expenses from investment management	9	17,042	16,486
a.1) Expenses from investments and financial accounts	9	17,042	16,486
a.2) Material investment expenses	-	-	-
b) Value corrections for property, plant and equipment and investments	-	52	77
b.1) Amortization of property, plant and equipment and property investments	-	-	-
b.2) Impairment of property, plant and equipment and property investment	-	52	77
b.3) Impairment of financial investments	-	--	-
c) Losses resulting from property, plant and equipment and investments	-	1,064	1,512
c.1) From property, plant and equipment and property investments	-	1	78
c.2) From financial investments	9	1,063	1,434
III.3. Other Revenues	**-**	**157**	**264**
a) Revenues from pension fund management	-	-	-
b) Remaining revenues	-	157	264
III.4. Other Expenses	**-**	**3,329**	**3,683**
a) Expenses from pension fund management	-	-	-
b) Remaining expenses	-	3,329	3,683
III.5. Subtotal, (Results from Non-Technical Account)	**-**	**9,527**	**5,666**
III.6. Results before Tax (I.10 + II.12 + III.5)	**-**	**248,582**	**195,348**
III.7. Tax on profits	**12**	**62,265**	**48,591**
III.8. Results from ongoing operations (III.6 + III.7)	**3**	**186,317**	**146,757**
III.9. Results from discontinued operations, net of tax (+ or -)	**-**	**-**	**-**
III.10.Result for the Period (III.8 + III.9)	**-**	**186,317**	**146,757**

(Figures in thousands of euros)

Statement of changes in equity for years ended December 31, 2016 and 2015

A) Statements of recognized revenue and expenses

STATEMENTS OF RECOGNIZED REVENUE AND EXPENSES	2016	2015
I. RESULT FOR THE PERIOD	**186,317**	**146,757**
II. OTHER RECOGNIZED REVENUE AND EXPENSES	**(5,300)**	**(51,335)**
II.1. Financial assets available for sale	**(5,931)**	**(70,608)**
Valuation gains and losses	29,157	(33,338)
Amounts transferred to the income statement	(35,088)	(37,270)
Other reclassifications	-	-
II.2. Cash flow hedging	**-**	**-**
Valuation gains and losses	-	-
Amounts transferred to the income statement	-	-
Amounts transferred to the initial value of hedged items	-	-
Other reclassifications	-	-
II.3. Hedging of overseas business net investments	**-**	**-**
Valuation gains and losses	-	-
Amounts transferred to the income statement	-	-
Other reclassifications	-	-
II.4. Foreign exchange and conversion differences	**(1,015)**	**695**
Valuation gains and losses	(1,015)	695
Amounts transferred to the income statement	-	-
Other reclassifications	-	-
II.5. Accounting mismatch corrections	**-**	**-**
Valuation gains and losses	-	-
Amounts transferred to the income statement	-	-
Other reclassifications	-	-
II.6. Assets held for sale	**-**	**-**
Valuation gains and losses	-	-
Amounts transferred to the income statement	-	-
Other reclassifications	-	-
II.7. Actuarial gains (losses) for long-term personnel remuneration	**-**	**-**
II.8. Other recognized revenue and expenses	**-**	**-**
II.9. Tax on profits	**1,646**	**18,578**
III. TOTAL RECOGNIZED REVENUE AND EXPENSES	**181,017**	**95,422**

(Figures in thousands of euros)

Statement of changes in equity for years ended December 31, 2016 and 2015
(continued)

B) Total statement of changes in equity

ITEM	CAPITAL OR MUTUAL FUND		SHARE PREMIUM	RESERVES		TREASURY STOCK AND OWN EQUITY HOLDINGS	RESULT FOR PREVIOUS YEARS	OTHER SHAREHOLDER CONTRIBUTIONS	RESULT FOR THE PERIOD	DIVIDEND AND STABILIZATION RESERVE	OTHER EQUITY INSTRUMENTS	REVALUATION ADJUSTMENTS	SUBSIDIES, DONATIONS AND ENDOWMENTS RECEIVED	TOTAL
	Issued	Not issued												
C. CLOSING BALANCE FOR 2014	**223,916**	**-**	**220,565**	**137,251**		**-**	**381,787**	**-**	**135,083**	**(115,013)**	**-**	**154,359**	**-**	**1,137,948**
I. Revaluation adjustments 2013	-	-				-								
II. Adjustments for errors 2013	-	-				-								
D. ADJUSTED OPENING BALANCE 2015	**223,916**	**-**	**220,565**	**137,251**		**-**	**381,787**	**-**	**135,083**	**(115,013)**	**-**	**154,359**	**-**	**1,137,948**
Total recognized revenue and expenses	-	-	-	-		-	-	-	146,757	-	-	(51,335)	-	95,422
II. Operations with partners or mutual societies	-	-	-	-		-	(1,444)	-	-	(90,289)	-	-	-	(91,733)
1. Increases in capital or mutual fund	-	-	-	-		-	-	-	-	-	-	-	-	-
2. (-) Reductions in capital or mutual fund	-	-	-	-		-	-	-	-	-	-	-	-	-
3. Conversion of financial liabilities into equity (conversion of debentures, debt write-offs)	-	-	-	-		-	-	-	-	-	-	-	-	-
4. (-) Distribution of dividends or active apportionments (note 3)	-	-	-	-		-	(1,444)	-	-	(90,289)	-	-	-	(91,733)
4. bis (-) Distribution of earnings	-	-	-	-		-	-	-	-	-	-	-	-	-
5. Operations with treasury stock or own equity (net)	-	-	-	-		-	-	-	-	-	-	-	-	-
6. Increase (reduction) of equity resulting from a business combination	-	-	-	-		-	-	-	-	-	-	-	-	-
7. Other operations with partners or mutual societies	-	-	-	-		-	-	-	-	-	-	-	-	-
III. Other variations in equity	-	-	-	23,927		-	19,805	-	(135,083)	91,086	-	-	-	(265)
1. Payments based on equity instruments	-	-	-	-		-	-	-	-	-				
2. Transfers between equity items	-	-	-	-		-	20,070	-	(135,083)	115,013	-	-	-	-
3. Other variations (note 5)	-	-	-	23,927		-	(265)	-		(23,927)	-	-	-	(265)
E. CLOSING BALANCE 2015	**223,916**	**-**	**220,565**	**161,178**		**-**	**400,148**	**-**	**146,757**	**(114,216)**	**-**	**103,024**	**-**	**1,141,372**

ITEM	CAPITAL OR MUTUAL FUND		SHARE PREMIUM	RESERVES		TREASURY STOCK AND OWN EQUITY HOLDINGS	RESULT FOR PREVIOUS YEARS	OTHER SHAREHOLDER CONTRIBUTIONS	RESULT FOR THE PERIOD	DIVIDEND AND STABILIZATION RESERVE	OTHER EQUITY INSTRUMENTS	REVALUATION ADJUSTMENTS	SUBSIDIES, DONATIONS AND ENDOWMENTS RECEIVED	TOTAL
	Issued	Not issued												
C. CLOSING BALANCE FOR 2015	**223,916**	**-**	**220,565**	**161,178**		**-**	**400,148**	**-**	**146,757**	**(114,216)**	**-**	**103,024**	**-**	**1,141,372**
I. Revaluation adjustments 2014	-	-	-	-		-	-	-	-	-	-	-	-	-
II. Adjustments for errors 2014	-	-	-	-		-	-	-	-	-	-	-	-	-
D. ADJUSTED OPENING BALANCE 2016	**223,916**	**-**	**220,565**	**161,178**		**-**	**400,148**	**-**	**146,757**	**(114,216)**	**-**	**103,024**	**-**	**1,141,372**
Total recognized revenue and expenses	-	-	-	-		-	-	-	186,317	-	-	(5,300)	-	181,017
II. Operations with partners or mutual societies.	-	-	-	-		-	-	-	-	(90,289)	-	-	-	(90,289)
1. Increases in capital or mutual fund.	-	-	-	-		-	-	-	-	-	-	-	-	-
2. (-) Reductions in capital or mutual fund.	-	-	-	-		-	-	-	-	-	-	-	-	-
3. Conversion of financial liabilities into equity (conversion of debentures, debt write-offs).	-	-	-	-		-	-	-	-	-	-	-	-	-
4. (-) Distribution of dividends or active apportionments (note 3).	-	-	-	-		-	-	-	-	(90,289)	-	-	-	(90,289)
4. bis (-) Distribution of earnings.	-	-	-	-		-	-	-	-	-	-	-	-	-
5. Operations with treasury stock or own equity (net).	-	-	-	-		-	-	-	-	-	-	-	-	-
6. Increase (reduction) of equity resulting from a business combination.	-	-	-	-		-	-	-	-	-	-	-	-	-
7. Other operations with partners or mutual societies.	-	-	-	-		-	-	-	-	-	-	-	-	-
III. Other variations in equity	-	-	-	(14,156)		-	32,401	-	(146,757)	114,216	-	-	-	(14,296)
1. Payments based on equity instruments.		-	-	-		-	-	-	-	-	-	-	-	-
2. Transfers between equity items.	-	-	-	-		-	32,541	-	(146,757)	114,216	-	-	-	-
3. Other variations (note 3)	-	-	-	(14,156)		-	(140)	-	-	-	-	-	-	(14,296)
E. CLOSING BALANCE 2016	**223,916**	**-**	**220,565**	**147,020**		**-**	**432,549**	**-**	**186,317**	**(90,289)**	**-**	**97,724**	**-**	**1,217,804**

Cash flow statement for years ended December 31, 2016 and 2015

CASH FLOW STATEMENT	2016	2015
A) CASH FLOW FROM OPERATING ACTIVITIES		
A.1.) Insurance activity	**229,871**	**86,652**
1. Direct insurance, co-insurance and accepted reinsurance proceeds	629,448	407,001
2. Direct insurance, co-insurance and accepted reinsurance payments	(186,399)	(172,911)
3. Ceded reinsurance proceeds	139,948	94,838
4. Ceded reinsurance payments	(251,840)	(167,519)
5. Outstanding claims recovery	-	-
6. Payment of remuneration to intermediaries	-	-
7. Other operating proceeds	-	-
8. Other operating payments	(101,286)	(74,757)
9. Total cash proceeds from insurance activities (1 + 3 + 5 + 7) = I	769,396	501,839
10. Total cash payments from insurance activities (2 + 4 + 6 + 8) = II	(539,525)	(415,187)
A.2.) Other operating activities	**(32,952)**	**(31,957)**
1. Proceeds from pension fund management activities	-	-
2. Payments from pension fund management activities	-	-
3. Proceeds from other activities	-	-
4. Payments from other activities	-	-
5. Total cash proceeds from other operating activities (1 + 3) = III	-	-
6. Total cash payments from other operating activities (2 + 4) = IV	-	-
7. Proceeds and payments for tax on profits (V)	(32,952)	(31,957)
A.3.) Total net cash flow from operating activities (I - II + III - IV - V)	**196,919**	**54,695**
B) CASH FLOW FROM INVESTMENT ACTIVITIES	**-**	**-**
B.1) Proceeds from investment activities	**1,993,627**	**1,483,810**
1. Property, plant and equipment	131	552
2. Property investments	-	-
3. Intangible assets	-	-
4. Financial instruments	1,890,842	1,411,031
5. Holdings in group, multi-group and associated companies	44	-
6. Interest collected	86,989	65,207
7. Dividends collected	15,621	7,020
8. Business unit	-	-
9. Other receipts related to investment activities	-	-
10. Total cash proceeds from investment activities (1 + 2 + 3 + 4 + 5 + 6 + 7 + 8 + 9) = VI	1,993,627	1,483,810
B.2.) Payments from investment activities	**(2,087,051)**	**(1,429,931)**
1. Property, plant and equipment	(43,934)	(328)
2. Property investments	-	-
3. Intangible assets	(26)	(224)
4. Financial instruments	(2,042,881)	(1,429,379)
5. Holdings in group, multi-group and associated companies	(210)	-
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	(2,087,051)	(1,429,931)
B.3.) Total cash flow from investment activities (VI + VII)	**(93,424)**	**53,879**

CASH FLOW STATEMENT	2016	2015
C) CASH FLOW FROM FINANCING ACTIVITIES		
C.1) Proceeds from financing activities	**-**	**-**
1. Subordinated liabilities	-	-
2. Proceeds from issuing of equity instruments and capital increases	-	-
3. Active apportionments and contributions from partners or mutual societies	-	-
4. Proceeds from sale of treasury stock	-	-
5. Other proceeds related to financing activities	-	-
6. Total cash proceeds from financing activities (1 + 2 + 3 + 4 + 5) = VIII	-	-
C.2) Payments from financing activities	**(90,289)**	**(91,733)**
1. Dividends paid to shareholders	(90,289)	(91,733)
2. Interest paid	-	-
3. Subordinated liabilities	-	-
4. Payments on return of shareholders' contributions	-	-
5. Passive apportionments and return of mutual societies' contributions	-	-
6. Purchase of treasury stock	-	-
7. Other payments related to financing activities	-	-
8. Total cash payments from financing activities (1 + 2 + 3 + 4 + 5 + 6 + 7) = IX	(90,289)	(91,733)
C.3) Total net cash flow from financing activities (VIII + IX)	**(90,289)**	**(91,733)**
Effect of exchange rate variations (X)	1	(2)
Total increase / decrease in cash and cash equivalents (A.3 + B.3 + C.3 + - X)	**13,207**	**16,839**
Cash and cash equivalents at beginning of the period	**122,611**	**105,772**
Cash and cash equivalents at end of the period	**135,818**	**122,611**
1. Banks and savings banks	94,098	89,986
2. Other financial assets	41,720	32,625
3. Bank overdrafts repayable on sight	-	-
TOTAL	**135,818**	**122,611**

(Figures in thousands of euros)

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Design and layout:
Tau Diseño
www.taudesign.com

Printed by:
Monterreina

D.L.:
M-9197-2017

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ANNUAL
REPORT
2016