

### III. INTERIM MANAGEMENT REPORT

#### OPERATING REVENUES AND FUNDS UNDER MANAGEMENT

Direct insurance and accepted reinsurance premiums written by the Group's subsidiaries amounted to €6,648.6 million in the first quarter of 2016, a 1.0% increase. Consolidated premiums totalled €6,112.9 million, flat on the year. Total operating revenues reached €7,426.7 million, including €163.5 million of new gross contributions to pension funds. The breakdown of these revenues by business line is shown in the following table<sup>(1)</sup>:

	3M 2015	3M 2016	Δ %
Gross written and accepted premiums	6,114.1	6,112.9	0.0%
Financial income	1,228.3	1,029.1	-16.2%
Non-insurance companies' revenues and other	172.8	121.2	-29.8%
<b>Total consolidated revenues</b>	<b>7,515.2</b>	<b>7,263.2</b>	<b>-3.4%</b>
Gross contributions to pension funds <sup>(2)</sup>	246.5	163.5	-33.7%
<b>TOTAL OPERATING REVENUES</b>	<b>7,761.7</b>	<b>7,426.7</b>	<b>-4.3%</b>

Figures in million euros

(1) For comparison purposes, CATALUNYACAIXA has been excluded from 2015 figures, following its reclassification as a discontinued operation.

(2) Includes MAPFRE AM, BANKINTER VIDA, CCM VIDA Y PENSIONES and DUERO PENSIONES.

In the first quarter of 2016, the total consolidated revenues recorded a 3.4% decrease with respect to the figures for the previous year, reflecting:

- growth in Non-Life premiums, both in Spain and other countries, as well as in reinsurance, which has offset the decline in business in Brazil, impacted by depreciation of the Brazilian Real;

- reduction in the premiums from the businesses in Latin America, mitigated in part by the good performance of Malta and the Agents' channel in IBERIA;
- lower financial income from Venezuela due to the application of the "implicit" exchange rate; and
- a lower level of realisations.

The following table shows the evolution of funds under management, which includes all the technical reserves from Life assurance undertakings, as well as the Life provisions from multi-line insurance companies:

	3M 2015	3M 2016	Δ %
Life assurance technical reserves <sup>(1)</sup>	30,268.9	28,817.0	-4.8%
Pension funds	5,058.2	5,019.4	-0.8%
Mutual funds and managed portfolios	4,792.3	5,610.9	17.1%
<b>TOTAL</b>	<b>40,119.4</b>	<b>39,447.3</b>	<b>-1.7%</b>

Figures in million euros

- (1) Includes all the technical reserves from Life Assurance subsidiaries and the Life Assurance reserves from multi-line insurance companies.

The variation in funds under management reflect, on the one hand, the good development of issuance and growth in the mutual funds and managed portfolios businesses, partially mitigating the decline in volumes in Spain, together with the decline in the market value of the investment portfolio.

Excluding the impact of the adjustments arising from the change in the market value of the assets backing Life assurance technical reserves, funds under management would have increased 1.1%.

## INFORMATION BY TERRITORIAL AREAS

Note: The information shown below reflects the new operational structure in force since January 1<sup>st</sup>, 2014, which has been organised into Territorial and Regional Areas and which differs from the current legal structure.

### IBERIA

The premiums written and accepted by all the insurance companies managed by this Territorial Area amounted to €2,280.3 million, a 4.3% increase, with the following breakdown by countries:

	3M 2015	3M 2016	Δ %
IBERIA	2,185.3	2,280.3	4.3%
SPAIN	2,118.6	2,219.5	4.8%
PORTUGAL	66.7	60.8	-8.8%

Figures in million euros

The increase in premiums reflects:

- in Non-Life insurance, a pick up in production in most lines of business, led by a 7.7% growth rate in Health insurance and a recovery in Motor; and
- in Life Assurance, an increase in sales in the Agents' network, despite the low interest rate environment.

The new gross contributions to pension funds amounted to €163.5 million, a 33.7% decrease.

The subsidiaries that operate in stock brokerage, as well as mutual and pension fund management, which are grouped under MAPFRE AM, reached an amount of €4,538.7 million of assets in mutual funds and managed portfolios, a 17.4% increase. The volume of assets in pension funds stood at €1,990.7 million, equivalent to a decline of 1.1%.

## LATIN AMERICA

The premiums written and accepted by all the insurance companies managed by this Territorial Area amounted to €1,799.1 million, a 25.7% decline. The figures corresponding to the Regional Areas and main countries are shown below:

	3M 2015	3M 2016	Δ %	Δ % local currency <sup>(1)</sup>
<b>BRAZIL</b>	1,192.0	937.3	-21.4%	0.6%
<b>LATAM SOUTH</b>	817.6	498.6	-39.0%	
of which:				
COLOMBIA	129.3	127.0	-1.8%	10.0%
ARGENTINA	107.6	105.3	-2.1%	6.3%
PERU	121.2	102.8	-15.2%	8.1%
CHILE	92.1	80.7	-12.4%	41.4%
<b>LATAM NORTH</b>	411.9	363.2	-11.8%	
of which:				
MEXICO	267.8	212.7	-20.6%	-6.4%

Figures in million euros

(1) Excluding the businesses from MAPFRE GLOBAL RISKS and MAPFRE ASISTENCIA.

As regards the figures broken down above, the following must be noted of the Non-Life business:

- in BRAZIL, despite the local currency growth (+7.0%), driven mainly by the Agro business which has offset the decline in Motor, the figures in Euros have been impacted by the depreciation of the Brazilian Real;
- in LATAM South, a strong contraction in Venezuela due to the application of an 'implicit' exchange rate and a decrease in Motor in Argentina; and
- a decline in the issuance in LATAM North, especially in the Health, Industrial Risks and Motor segments in Mexico.

With regard to the Life business, the development of premiums reflects:

- in BRAZIL, a decrease of 11% in local currency, additionally impacted by the depreciation of the Brazilian Real;
- a contraction in issuance in LATAM South, as a result of the cancellation of unprofitable contracts in Colombia, partly offset by the good performance in Argentina and Chile; and
- in LATAM North, a contraction of issuance in Mexico.

## INTERNATIONAL

The premiums written and accepted by all the insurance companies managed by this Territorial Area amounted to €1,476.5 million, a 41.4% increase. The figures corresponding to the Regional Areas and main countries are shown below:

	3M 2015	3M 2016	Δ %	Δ % local currency <sup>(1)</sup>
<b>NORTH AMERICA</b>	631.8	683.0	8.1%	
of which:				
USA	544.4	601.5	10.5%	9.0%
PUERTO RICO	87.4	81.6	-6.6%	-2.0%
<b>EMEA</b>	380.9	757.8	98.9%	
of which:				
TURKEY	179.5	257.6	43.5%	68.5%
GERMANY	8.4	144.2	---	---
ITALY	11.8	135.2	---	---
MALTA	63.1	91.6	45.2%	---
UNITED KINGDOM	66.6	71.7	7.7%	---
<b>APAC</b>	31.7	35.7	12.6%	---

Figures in million euros

(1) Excluding the businesses from MAPFRE GLOBAL RISKS and MAPFRE ASISTENCIA.

As regards the figures broken down above, the following must be noted:

- growth in the USA as a result of the good development in Motor and Homeowner outside of Massachusetts (+23%) and an improved competitive positioning in Connecticut, together with resilient positioning and tariff increases in Massachusetts in Homeowner (average premium per policy increased 5.8% from 2015). Also an increase in Assistance business, due to replacement of service products with insurance contracts; and
- strong growth in insurance units in EMEA due to the consolidation of direct business in Italy and Germany, tariff and volume increases in Turkey and the good performance of Life issuance in Malta.

#### MAPFRE RE

In the accepted reinsurance business, MAPFRE RE and its subsidiaries recorded consolidated premiums of €1,092.7 million, a 17.0% increase, stemming from timing differences in issuance from several large contracts.

## MANAGEMENT RATIOS

In Non-life lines, the consolidated combined ratio stood at 96.8%, compared to the 98.8% of the previous year. This variation reflects mainly:

- the turnaround in the loss ratio at NORTH AMERICA due to the absence of extraordinary weather-related claims;
- improvements in technical management in IBERIA;
- a worsening in BRAZIL due to the increase in the loss experience linked to the economic environment and the effects of heavy rain; and
- several large claims at GLOBAL RISKS in EMEA, which were partly offset by an improvement in the loss ratio in Motor TPL in Turkey.

The expense ratio reflects:

- improvements in NORTH AMERICA owing to higher commissions from ceded reinsurance;
- a decrease in LATAM NORTH, in the Motor, Industrial Risks and Health segments in Mexico;
- a slight reduction in IBERIA, despite the already high efficiency levels;
- improvements in the Motor and Industrial Risks segments in BRAZIL; and
- an increase in the expense ratios in LATAM SOUTH (Motor and Health segments in Colombia) and MAPFRE RE (change in portfolio mix).

The development of the main management ratios is shown in the following table:

	EXPENSE <sup>(1)</sup>		LOSS <sup>(2)</sup>		COMBINED <sup>(3)</sup>	
	3M 2015	3M 2016	3M 2015	3M 2016	3M 2015	3M 2016
IBERIA	21.5%	21.3%	74.6%	70.3%	96.1%	91.6%
LATAM NORTH	37.0%	34.1%	56.4%	59.1%	93.4%	93.2%
LATAM SOUTH	33.5%	36.5%	63.2%	61.5%	96.7%	98.0%
BRAZIL	32.0%	31.3%	62.7%	68.4%	94.7%	99.7%
EMEA	29.3%	29.2%	73.5%	77.5%	102.8%	106.7%
NORTH AMERICA	30.0%	24.8%	88.8%	75.8%	118.8%	100.6%
APAC	29.8%	21.7%	74.0%	97.6%	103.8%	119.3%
MAPFRE RE	27.0%	30.4%	61.8%	62.6%	88.8%	93.0%
MAPFRE S.A.	28.3%	27.4%	70.5%	69.4%	98.8%	96.8%

- (1) (Operating expenses, net of reinsurance + profit sharing and returns – other technical income + other technical expenses) / Net premiums earned. Figures for the Non-life business.
- (2) (Net claims incurred + variation in other technical reserves + profit sharing and returns) / Net premiums earned. Figures for the Non-life business.
- (3) Combined ratio = Expense ratio + Loss ratio. Figures for the Non-life business.



## RESULTS

The net result attributable to the parent company (after minority interests) amounted to €191.7 million, a 4.8% decrease. The following table shows the sources and breakdown of results:

	3M 2015	3M 2016	Δ %
<b>NON-LIFE INSURANCE AND REINSURANCE</b>			
Gross written and accepted premiums	4,924.3	5,024.5	2.0%
Premiums earned, net of ceded and retroceded reinsurance	3,522.5	3,507.9	-0.4%
Net claims incurred and variation in other technical provisions	-2,484.6	-2,432.9	-2.1%
Operating expenses, net of reinsurance	-985.5	-959.5	-2.6%
Other technical income and expenses	-11.3	-2.7	-76.1%
<b>Technical Result</b>	<b>41.1</b>	<b>112.8</b>	<b>174.5%</b>
Net fin'l. income and other non-technical income and expenses	252.3	167.4	-33.7%
<b>Result of Non-life business</b>	<b>293.4</b>	<b>280.2</b>	<b>-4.5%</b>
<b>LIFE ASSURANCE AND REINSURANCE</b>			
Gross written and accepted premiums	1,189.8	1,088.4	-8.5%
Premiums earned, net of ceded and retroceded reinsurance	1,049.5	1,049.0	0.0%
Net claims incurred and variation in other technical provisions	-1,050.0	-951.5	-9.4%
Operating expenses, net of reinsurance	-292.0	-252.1	-13.7%
Other technical income and expenses	-2.9	-1.8	-37.9%
<b>Technical Result</b>	<b>-295.4</b>	<b>-156.4</b>	<b>-47.1%</b>
Net fin'l. income and other non-technical income and expenses	473.1	312.1	-34.0%
Unrealized gains and losses in Unit-Linked products	29.8	14.5	-51.3%
<b>Result of Life business</b>	<b>207.5</b>	<b>170.2</b>	<b>-18.0%</b>
<b>OTHER BUSINESS ACTIVITIES</b>			
Operating income	139.6	88.5	-36.6%
Operating expenses	-144.5	-95.1	-34.2%
Other income and expenses	-3.9	-9.8	151.3%
<b>Results from other business activities</b>	<b>-8.8</b>	<b>-16.5</b>	<b>87.5%</b>
Result on restatement of financial accounts	-33.6	-8.8	-73.8%
<b>Result before tax and non-controlling interests</b>	<b>458.5</b>	<b>425.2</b>	<b>-7.3%</b>
Income tax	-138.2	-138.1	-0.1%
<b>Result after tax</b>	<b>320.3</b>	<b>287.1</b>	<b>-10.4%</b>
Result after tax from discontinued operations	21.3	0.0	---
<b>Result for the year</b>	<b>341.6</b>	<b>287.1</b>	<b>-16.0%</b>
Result attributable to non-controlling interests	-140.2	-95.4	-32.0%
<b>Result attributable to the controlling Company</b>	<b>201.4</b>	<b>191.7</b>	<b>-4.8%</b>

Figures in million euros

The breakdown of results by Regional Areas is shown below:

<b>REGIONAL AREA</b>	<b>3M 2015</b>	<b>3M 2016</b>	<b>Δ %</b>
IBERIA	111.9	112.3	0.4%
BRAZIL	42.9	27.0	-37.1%
EMEA	7.5	-10.9	---
NORTH AMERICA	-50.8	16.8	---
LATAM SOUTH	50.4	13.9	-72.4%
LATAM NORTH	16.1	18.0	11.8%
APAC	0.3	-6.2	---
<b>TOTAL REGIONAL AREAS</b>	<b>178.3</b>	<b>170.9</b>	<b>-4.2%</b>
<b>MAPFRE RE</b>	<b>48.6</b>	<b>51.1</b>	<b>5.1%</b>
<b>HOLDINGS &amp; CONSOLIDATION ADJUSTMENTS</b>	<b>-25.5</b>	<b>-30.3</b>	<b>18.8%</b>
<b>TOTAL</b>	<b>201.4</b>	<b>191.7</b>	<b>-4.8%</b>

Figures in million euros

## BALANCE SHEET

The following table shows the consolidated balance sheet:

	31.3.2015	31.12.2015	31.3.2016
Goodwill	1,901.1	2,068.0	2,031.3
Other intangible assets	1,804.7	1,629.6	1,645.8
Other fixed assets	294.6	331.1	289.8
Cash	1,157.5	989.1	1,131.3
Investments and real estate	47,176.6	45,275.6	46,389.9
Participation of reinsurance in technical reserves	3,660.3	3,869.5	3,939.6
Insurance and reinsurance operations	5,645.2	5,299.8	6,010.4
Deferred taxes	2,338.3	255.9	273.3
Assets held for sale	2,849.9	35.7	40.3
Other assets	3,823.2	3,735.0	3,656.4
<b>TOTAL ASSETS</b>	<b>70,651.4</b>	<b>63,489.3</b>	<b>65,408.1</b>
Equity attributable to the Controlling company	9,338.2	8,573.7	8,491.7
Non-controlling interests	2,234.7	1,834.6	1,980.8
<b>Total Equity</b>	<b>11,572.9</b>	<b>10,408.3</b>	<b>10,472.5</b>
Financial and subordinated debt	1,832.9	1,772.5	1,775.1
Technical reserves	46,416.7	45,061.1	46,413.2
- Life assurance reserves <sup>(1)</sup>	28,811.0	26,825.2	27,472.2
- Other technical reserves	17,605.7	18,235.9	18,941.0
Reserves for risks and expenses	673.7	697.0	672.0
Insurance and reinsurance operations	2,363.6	2,309.0	2,690.5
Deferred taxes	3,038.0	710.5	764.8
Liabilities held for sale	2,230.6	0.0	0.0
Other liabilities	2,523.0	2,530.9	2,620.0
<b>TOTAL LIABILITIES</b>	<b>70,651.4</b>	<b>63,489.3</b>	<b>65,408.1</b>

Figures in million euros

1) Includes unit-linked reserves

Total assets under management, including mutual and pension funds, amounted to €76,038.4 million (€80,501.9 million at the end of the first quarter of the previous year), representing a 5.5% decline, partially impacted by the deconsolidation of the businesses with CatalunyaCaixa.

## EQUITY AND RETURNS

The consolidated equity stood at €10,472.5 million, compared to €11,572.9 million in the first quarter of 2015. Of said amount, €1,980.8 million corresponded to minority interests in subsidiaries. Consolidated shareholders' equity per share amounted to €2.76 at the end of the first quarter of 2016 (€3.03 as at 31.3.2015).

The variation in net equity during the year is shown in the following table:

	3M 2016		3M 2015	
	Equity attributable to controlling company	Non-controlling interests	Total Equity	Total Equity
BALANCE AS AT PRIOR YEAR END	8,573.7	1,834.6	10,408.3	11,469.4
Additions and deductions accounted for directly in equity				
Investments available for sale	390.0	91.1	481.1	1,224.3
Currency conversion differences	-108.1	64.5	-43.6	-221.5
Shadow accounting	-279.5	-74.1	-353.6	-914.6
Other	-5.4	0.0	-5.4	-1.8
<b>TOTAL</b>	<b>-3.0</b>	<b>81.5</b>	<b>78.5</b>	<b>86.4</b>
Result for the period	191.7	95.4	287.1	341.6
Distribution of previous year's result	-215.6	-127.2	-342.8	-378.9
Interim dividend for the year	0.0	0.0	0.0	-3.5
Other changes in equity	-55.1	96.5	41.5	57.9
<b>BALANCE AS AT PERIOD END</b>	<b>8,491.7</b>	<b>1,980.8</b>	<b>10,472.5</b>	<b>11,572.9</b>

Figures in million euros

The evolution of equity reflects:

- the results for the quarter;
- the increase in the value of the investment portfolio - partially offset by shadow accounting - driven by the strong performance of the global

financial markets during the first quarter of the year, especially fixed income;

- the positive impact of the appreciation of the Brazilian Real during the quarter, which offset the depreciation of the US Dollar;
- the final dividend against 2015 results approved by the Annual General Meeting, which will be paid on June 24th, as well as the dividends paid by subsidiaries with non-controlling interests.

## EMPLOYEES

The total number of employees at the end of the first quarter of the year stands at 37,839, more precisely 10,725 in Spain and 27,114 abroad (10,847 and 26,195, respectively, as at 31.3.2015).