

Individual Annual Accounts and Management Report

Other
documentation
of interest
to shareholders

2016

 **MAPFRE**

Consistent }
Commitment } *Improvement* [c]



MAPFRE, S.A.

Annual Accounts

31 December 2016

Directors' Report

2016

(With Independent Auditor's Report Thereon)

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



KPMG Auditores, S.L.
Paseo de la Castellana, 259 C
28046 Madrid

Independent Auditor's Report on the Annual Accounts

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

To the Shareholders of
Mapfre, S.A.

Report on the Annual Accounts

We have audited the accompanying annual accounts of MAPFRE, S.A. (the "Company"), which comprise the balance sheet at 31 December 2016, the income statement, statement of changes in equity, statement of cash flows and the notes for the year then ended.

Directors' Responsibility for the annual accounts

The Directors are responsible for the preparation of the accompanying annual accounts in such a way that they present fairly the equity, financial position and results of MAPFRE, S.A. in accordance with the financial reporting framework applicable to the entity in Spain, specified in note 2.b) to the accompanying annual accounts, and for such internal control that they determine is necessary to enable the preparation of 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 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 annual accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the 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 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 annual accounts present fairly, in all material respects, the equity and financial position of MAPFRE, S.A. at 31 December 2016, and its results and its cash flows for the year then ended, in accordance with the applicable financial reporting framework and, in particular, with the accounting principles and criteria set forth therein.

Report on Other Legal and Regulatory Requirements

The accompanying 2016 management report contains such explanations as the Directors consider relevant to the situation of the Company, the evolution of its business and other matters; however, it is not an integrating part of the annual accounts. We have verified that the accounting information contained in the aforementioned management report is consistent with the annual accounts for 2016. Our work as auditors is limited to verifying the management report in accordance within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of the Company.

KPMG Auditores, S.L.

(Signed on original in Spanish)

Hilario Albarracín Santa Cruz

7 February 2017

ANNUAL ACCOUNTS

MANAGEMENT REPORT

2016

MAPFRE S.A.

ANNUAL ACCOUNTS

2016

Balance sheet

Profit and loss account

Statement of changes in equity

Cash flow statement

Annual report

MAPFRE S.A.

BALANCE SHEET AS ON DECEMBER 31, 2016 AND 2015

ASSETS	Notes from the Annual report	2016	2015
A) NON-CURRENT ASSETS		9,517,006	9,180,758
I. Intangible fixed assets		4,405	6,476
5. Software applications	6	4,405	6,476
II. Property, plant and equipment	5	14,839	15,232
1. Land and buildings		12,508	12,696
2. Technical installations and other property, plant and equipment		2,331	2,536
IV. Long-term investments in Group and associated companies	8	9,465,300	9,127,452
1. Equity instruments		9,261,300	8,897,952
2. Credits to companies	18	204,000	229,500
V. Long-term financial investments	8	5,790	5,738
1. Equity instruments		565	2
2. Credits to third parties		71	510
6. Other investments		5,154	5,226
VI. Deferred tax assets	12	26,672	25,860
B) CURRENT ASSETS		357,343	348,915
III. Trade and other receivables		50,852	75,672
1. Clients by sales and service provisions	8	2	75
2. Clients, Group and associated companies	8	16	31
3. Sundry debtors	8	132	3,783
4. Personnel	8	317	394
5. Current tax assets	12	47,888	71,389
6. Other receivables from public authorities	--	2,497	--
IV. Short-term investments in Group and associated companies	8,18	273,574	250,121
2. Credits to companies	--	180,399	172,935
5. Other financial assets	--	93,175	77,186
V. Short-term financial investment			--
VI. Short term accruals		6,187	6,609
VII. Cash and other equivalent liquid assets		26,730	16,513
1. Cash	--	26,730	16,513
TOTAL ASSETS (A+B)		9,874,349	9,529,673

Thousands of euros

BALANCE SHEET AS ON DECEMBER 31, 2016 AND 2015

EQUITY AND LIABILITIES	Notes from the Annual report	2016	2015
A) EQUITY		7,272,687	6,995,832
A-1) SHAREHOLDERS' EQUITY		7,272,687	6,995,832
I. Capital		307,955	307,955
1. Authorized share capital	9	307,955	307,955
II. Share premium	9	3,338,720	3,338,720
III. Reserves		3,120,074	2,823,152
1. Legal and statutory	9	61,591	61,591
2. Other reserves	--	3,058,483	2,761,561
IV (Treasury stock)	9	(60,234)	(2,392)
V. Results for previous years		279,195	263,044
1. Surplus	--	279,195	263,044
VI Result for the financial year	3	468,831	450,126
VI (Interim dividend)	3	(184,772)	(184,773)
IX Other equity instruments	9	2,918	--
B) NON-CURRENT LIABILITIES		1,890,536	1,988,126
I. Long-term provisions		15,945	9,848
1. Obligations for long-term benefits to personnel	14	14,876	8,908
4. Other provisions	14	1,069	940
II. Long-term debt		1,475,936	1,588,714
1. Debentures and other negotiable securities	8,10	992,484	579,798
2. Debts with credit institutions	8	480,000	1,000,000
5. Other financial liabilities	8	3,452	8,916
III. Long-term debt with Group and associated companies	8	398,548	389,522
IV Deferred tax liabilities	12	107	42
C) CURRENT LIABILITIES		711,126	545,715
II. Short-term provisions	14	0	13,451
III. Short-term debt		604,757	15,748
1. Debentures and other negotiable securities	8,10	604,020	15,014
2. Debts with credit institutions	8	85	703
5. Other financial liabilities	8	652	31
IV Short-term debt with Group and associated companies	8,18	61,630	484,366
V. Trade and other payables		44,739	32,150
3. Sundry creditors	8	12,361	10,380
4. Personnel (remuneration pending payment)	8	9,135	8,627
5. Current tax liabilities	12	12,420	26
6. Other debts with public authorities		10,823	13,117
TOTAL EQUITY AND LIABILITIES (A+B+C)		9,874,349	9,529,673

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
ONGOING OPERATIONS			
Operating revenue		578,425	581,201
Dividends and interest of Group and associated companies		578,425	581,201
• Dividends	8,18	572,271	572,467
• Interest	8,18	6,154	8,734
Other operating revenue		80,790	69,411
• Non-core and other operating revenue	18	80,790	69,411
Personnel expenses		(72,397)	(62,138)
• Wages, salaries and similar	--	(43,533)	(38,731)
• Social security contributions	13	(21,172)	(18,923)
• Provisions	14	(7,692)	(4,484)
Other operating expenses		(73,622)	(69,348)
• External services	--	(73,594)	(69,303)
• Taxes	--	(28)	(45)
Amortization and depreciation of fixed assets	5,6	(3,462)	(2,717)
Excess provisions	14	--	3,240
Impairment and gains/losses on fixed asset disposal	--	17	--
Impairment of Group and associated companies	8	(996)	(2,871)
Other earnings	--	(6)	(6)
EARNINGS FROM OPERATIONS		508,749	516,772
Financial income		1,583	2,089
From negotiable securities and other financial instruments	--	1,583	2,089
• From third parties	8	1,583	2,089
Financial expenses		(76,878)	(113,214)
• For debt with Group and associated companies	8,18	(23,913)	(29,065)
• For debt with third parties	8	(52,765)	(83,944)
• For update of provisions	8	(200)	(205)
Fair value variation in financial instruments		5,207	(4,431)
• Trading portfolio and other	8	5,207	(4,431)
Exchange rate differences	8	(14)	(7)
Impairment and gains/losses on financial instrument disposal	8	5	60
• Impairment and loss		--	--
• Earnings from disposal and other		5	60
FINANCIAL RESULT		(70,097)	(115,503)
EARNINGS BEFORE TAX		438,652	401,269
Tax on profits	12	30,179	48,857
RESULT FOR THE FINANCIAL YEAR FROM ONGOING OPERATIONS		468,831	450,126
DISCONTINUED OPERATIONS			
Result for the financial year after tax from discontinued operations		--	--
RESULT FOR THE FINANCIAL YEAR		468,831	450,126

Thousands of euros

STATEMENT OF CHANGES IN EQUITY AT DECEMBER 31, 2016 AND 2015

A) STATEMENTS OF RECOGNIZED REVENUE AND EXPENSES

PROFIT AND LOSS ACCOUNT	Notes from the Annual Report	2016	2015
A) Result of the profit and loss account	3	468,831	450,126
Revenue and expenses posted directly to equity			
I. For valuation of financial instruments			
1. Financial assets available for sale	--	--	--
2. Other revenues/expenses			
IV. By actuarial gains and losses and other adjustments	--	--	--
VII. Tax effect	--	--	--
B) Total revenue and expenses posted directly in equity (I+IV+VII)	--	--	--
Transfers to the profit and loss account			
VIII. For valuation of financial instruments			
1. Financial assets available for sale	--	--	--
XIII. Tax effect	--	--	--
C) Total transfers to the profit and loss account (VIII+XIII)		--	--
TOTAL RECOGNIZED REVENUE AND EXPENSES (A+B+C)	--	468,831	450,126

Thousands of euros

MAPFRE S.A.

STATEMENT OF CHANGES IN EQUITY AT DECEMBER 31, 2016 AND 2015

B) TOTAL STATEMENT OF CHANGES IN EQUITY

	Capital		Share premium	Reserves	(Treasury stock)	Earnings from previous years	Other shareholder contributions	Result for the year attributable to the controlling company	(Interim dividend)	Other equity instruments	Valuation change adjustments	Grants, donations and bequests received	TOTAL
	Authorized	Uncalled											
ADJUSTED BALANCE, BEGINNING OF 2015	307,955	--	3,338,720	2,823,154	--	343,072	--	351,326	(184,773)	--	--	--	6,979,454
I. Total recognized revenue and expenses	--	--	--	--	--	--	--	450,126	--	--	--	--	450,126
1. Capital increases (decreases)	--	--	--	--	--	--	--	--	--	--	--	--	--
4. (-) Distribution of dividends	--	--	--	--	--	--	--	(246,364)	(184,773)	--	--	--	(431,137)
4. bis. Distribution of earnings	--	--	--	--	--	(79,811)	--	(104,962)	184,773	--	--	--	--
5. Operations with treasury stock and own shares (Note 9)	--	--	--	--	(2,392)	--	--	--	--	--	--	--	(2,392)
6. Decrease in equity resulting from a business combination	--	--	--	--	--	--	--	--	--	--	--	--	--
III. Other variations in equity	--	--	--	(2)	--	(217)	--	--	--	--	--	--	(219)
CLOSING BALANCE FOR YEAR 2015	307,955	--	3,338,720	2,823,152	(2,392)	263,044	--	450,126	(184,773)	--	--	--	6,995,832
II. Correction of errors 2014	--	--	--	--	--	--	--	--	--	--	--	--	--
ADJUSTED BALANCE, BEGINNING OF 2016	307,955	--	3,338,720	2,823,152	(2,392)	263,044	--	450,126	(184,773)	--	--	--	6,995,832
I. Total recognized revenue and expenses	--	--	--	--	--	--	--	468,831	--	--	--	--	468,831
1. Capital increases (decreases)	--	--	--	--	--	--	--	--	--	--	--	--	--
4. (-) Distribution of dividends	--	--	--	--	--	--	--	(215,570)	(184,772)	--	--	--	(400,342)
4. bis. Distribution of earnings	--	--	--	35,000	--	14,783	--	(234,556)	184,773	--	--	--	--
5. Operations with treasury stock (Note 9)	--	--	--	(33)	(57,842)	--	--	--	--	--	--	--	(57,875)
6. Increase (decreases) from business combinations	--	--	--	262,146	--	--	--	--	--	--	--	--	262,146
III. Other variations in equity	--	--	--	(191)	--	1,368	--	--	--	2,918	--	--	4,095
CLOSING BALANCE FOR YEAR 2016	307,955	--	3,338,720	3,120,074	(60,234)	279,195	--	468,831	(184,772)	2,918	--	--	7,272,687

Thousands of euros

CASH FLOW STATEMENT AS ON DECEMBER 31, 2016 AND 2015

A) CASH FLOWS FROM OPERATING ACTIVITIES	Notes from the Annual report	2016	2015
1. Earnings of the year before tax		438,652	401,269
2. Adjustments to results		(501,537)	(460,107)
a) Amortization and depreciation of fixed assets	5, 6	3,462	2,717
b) Corrections in value due to impairment (+/-)	8	996	2,871
e) Results of fixed asset cancellations and disposals (+/-)	--	(17)	--
f) Results of financial instruments cancellations and disposals (+/-)	--	(5)	(60)
g) Finance income (-)	8	(1,583)	(2,089)
b) Finance cost (+)	8	76,878	113,214
i) Exchange rate differences (+/-)	8	14	7
j) Fair value variation in financial instruments (+/-)	8	(5,207)	4,431
k) Other revenues and expenses	--	(576,075)	(581,198)
3. Changes in working capital	--	(9,604)	2,818
b) Debtors and other receivables (+/-)	--	24,824	(17,861)
c) Other current assets (+/-)	--	(47,013)	(33,782)
d) Creditors and other payables (+/-)	--	12,585	51,407
e) Other current liabilities (+/-)	--	--	3,054
f) Other non-current assets and liabilities	--	--	--
4. Other cash flows of operating activities	--	532,976	515,358
a) Interest paid (-)		(92,512)	(92,122)
b) Dividend receipts (+)	--	572,271	572,464
c) Interest collected (+)	--	6,204	8,868
d) Payment (receipt) of income tax (+/-)	--	47,013	26,148
e) Other payments (collection) (-/+)	--	--	--
5. Cash flows from operating activities (+/-1+/-2+/-3+/-4)	--	460,487	459,338
B) CASH FLOWS FROM INVESTING ACTIVITIES			
6. Payments for investments (-)		(194,753)	(790,270)
a) Group and associated companies	8	(194,753)	(790,270)
7. Collections for divestments (+)		110,041	328,854
e) Other financial assets	8	110,041	328,854
8. Cash flows from investing activities (7+6)		(84,712)	(461,416)
C) CASH FLOW FROM FINANCING ACTIVITIES			
9. Payments and collections for equity instruments		(57,842)	(2,392)
c) Acquisition of treasury equity instruments (-)	9	(57,842)	(2,392)
10. Payments and collections for financial liability instruments		93,191	122,000
a) Issue			
1. Debentures and other negotiable securities (+)	10	993,090	--
2. Debts with credit institutions (+)	--	--	1,340,000
3. Debt with Group and associated companies (+)	--	60,000	220,000
b) Return and redemption of			
1. Debentures and other negotiable securities (-)	--	--	(1,000,000)
2. Debts with credit institutions (-)	8	(520,000)	(340,000)
3. Debt with Group and associated companies (-)	--	(439,899)	(98,000)
11. Payments for dividends and remuneration of other equity instruments	--	(400,907)	(432,101)
a) Dividends (-)	--	(400,907)	(432,101)
12. Cash flows from financing activities (+/-9/10-11)	--	(365,558)	(312,493)
D) EFFECT OF EXCHANGE RATE VARIATIONS			
E) NET INCREASE / DECREASE OF CASH OR EQUIVALENTS (+/-5+/-8+/-12+/-D)	--	10,217	(314,571)
Cash or cash equivalents at the beginning of the year		16,513	331,084
Cash or cash equivalents at the end of the year		26,730	16,513

Thousands of euros

ANNUAL REPORT

2016

1. COMPANY ACTIVITY

MAPFRE S.A. (the "Company") is a corporation (Spanish "sociedad anónima") whose main activity is the investment of its funds in real-estate assets and tradeable financial securities.

The Company's scope of action includes all Spanish territory.

The registered offices are at Crta. de Pozuelo, 52, Majadahonda (Madrid, Spain). The Company is the parent of the MAPFRE GROUP, which comprises MAPFRE S.A. and several companies operating in the insurance, property, financial and services sectors.

The Company is a subsidiary of CARTERA MAPFRE, S.L. (Single Member Company), with registered address at Carretera de Pozuelo, 52, Majadahonda (Madrid, Spain). The annual accounts of that company for the year ended December 31, 2016 will be prepared by its Board of Directors on March 30, 2017 and will be placed on file at the Madrid Companies' Registry.

The ultimate controlling company is Fundación MAPFRE, a non-profit company whose registered address is Paseo de Recoletos No. 23, Madrid and whose consolidated annual accounts will be filed with the Madrid Companies' Registry and a copy sent to the Foundations Register.

2. BASIS OF PRESENTATION OF THE ANNUAL ACCOUNTS

a) TRUE AND FAIR VIEW

The application of legal provisions regarding accounting matters have resulted in a true and fair view of the Company's equity, financial position and results for the year, as well as of the accuracy of the cash flows reported on the cash flow statement. The directors consider that it is not necessary to include supplementary information in this regard.

b) ACCOUNTING PRINCIPLES

The annual accounts have been prepared in accordance with the General Accounting Plan approved under Royal Decree 1514/2007 of November 16 and subsequently amended through Royal Decree 1159/2010 of September 17 and Royal Decree 602/2016 of December 2, as well as with all other applicable mercantile legislation.

c) CRITICAL ASPECTS OF MEASURING AND ESTIMATING UNCERTAINTY

When preparing the annual accounts, judgments and estimates were used that are based on assumptions about the future and uncertainties. These primarily refer to impairment of assets, deferred tax assets, provisions and contingent assets and contingent liabilities.

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 lead to changes in estimates in a given period, their effect would apply to that period and, as the case may be, to subsequent periods.

d) COMPARISON OF INFORMATION

There is nothing preventing the annual accounts of the current year from being compared with those of the previous year.

e) CORRECTIONS OF ERRORS

No significant errors were found in the Company's annual accounts from previous years.

3. DISTRIBUTION OF PROFITS

The Company's Board of Directors has proposed the following distribution of profits for approval at the Annual General Meeting:

BASIS OF DISTRIBUTION	AMOUNT
Profit and loss	468,830,924.50
Retained earnings	279,195,304.96
TOTAL	748,026,229.46
DISTRIBUTION	AMOUNT
As dividends	446,535,224.59
To capitalization reserve	12,000,000.00
To retained earnings	289,491,004.88
TOTAL	748,026,229.46

Figures in euros

The planned distribution of dividends in the distribution of profits complies with the requirements and limitations established under legal regulations and the corporate bylaws. The requirements and limitations related with restricted reserves are set out in Note 9 Shareholders' Equity.

In 2016, the Company distributed an interim dividend for a total amount of 184,772,628.34 euros (184,773,196.38 euros in 2015), which is recorded in equity under the heading "Interim dividend."

The liquidity statement prepared by the Board of Directors for the distribution of the interim dividend is shown below.

ITEM	DATE OF AGREEMENT
	November 8, 2016
Cash available on date of agreement	32,120
Increases in cash forecast within one year	1,397,818
(+) For current expected collection operations	597,818
(+) For expected financial operations	800,000
Expected cash decreases in one year	(898,950)
(-) For current expected payment operations	(75,000)
(-) For expected financial operations	(823,950)
Cash available in one year	530,988

Thousands of euros

The distribution of profits for 2015, carried out during 2016, is presented in the statement of total changes in equity.

4. RECOGNITION AND MEASUREMENT STANDARDS

The recognition and measurement standards applied are indicated below:

a) Fixed assets

Intangible assets

Intangible assets recognized comply with the identifiability criterion and carried at cost less accumulated amortization and any impairment losses.

Intangible assets are measured at the cost of acquisition or production. Amortization is calculated on a straight-line basis at a rate of 33 percent per year.

Property, plant and equipment

The assets included under property, plant and equipment are measured at cost of acquisition or production, including indirect taxes that are not directly recoverable, less accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis, on the cost of the asset less the residual value and less the value of land, in accordance with the estimated useful life.

The costs of renovating, expanding or improving property, plant and equipment goods are included as the greatest value of the asset when they entail an increase in capacity, productivity or extension of their useful life.

Impairment

At the close of each fiscal year, the Company evaluates whether there are any signs that the asset items may have suffered a loss in value. If such evidence exist, the recoverable amount of the asset is estimated.

Recoverable amount is the greater of an asset's fair value less costs to sell and its value in use.

Corrections in value due to impairment, as well as the reversal of the asset items, are recognized as an expense or revenue, respectively, in the profit and loss account, under the item "Impairment and gains/(losses) from disposal of fixed assets."

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

If there is an increase of the recoverable amount of an asset other than the goodwill, the loss due to the previously recognized impairment is reversed, increasing the book value of the asset to its recoverable amount. This increase never exceeds the book value, net of amortization or depreciation, that would be recorded had an impairment loss not been recognized in previous years. The reversal is recognized in the profit and loss account, unless the asset was previously subject to revaluation against "Valuation adjustments", in which case the reversal is treated as a revaluation increase. After this reversal, the amortization or depreciation cost is adjusted for subsequent periods.

b) Operational leases

The Company classifies the lease contracts it holds as operational leases given that the lessor does not substantially transfer to the lessee all the risks and benefits of the property. The revenue and expenses arising from operational leasing are recorded in the profit and loss account for the life of the contract, following the principle of accrual.

c) Financial instruments

FINANCIAL ASSETS

All assets corresponding to cash, equity instruments of other companies, or that entail a contractual right to receive cash or another financial asset, or any exchange of financial instruments under favorable conditions, are classified as financial assets.

The fair value of financial assets is determined through the use of market prices, provided that the available quotations of the instruments can be considered representative. In order for them to be considered as such, they must be published regularly in standard information systems provided by recognized financial brokers.

If market valuation is not possible, a valuation will be performed with internal models using, as far as possible, public market data that satisfactorily replicates the valuation of the instruments quoted. This valuation methodology will be based on the discounting of future asset flows (determined or estimated) using the discount curve free from risk. Depending on the characteristics of the issue concerned and the issuer, a specific credit risk will be assigned, which will apply to a different degree to each of the flows to be received.

Operations in the currency market are recorded on the settlement date, while financial assets traded in secondary markets of the Spanish market are recognized on the trading date, for equity instruments, and on the settlement date, for debt securities.

Financial assets are classified as:

Loans and receivables

This category includes receivables for commercial and non-commercial operations.

Following initial recognition at their fair value, they are measured at depreciated cost. The interest accrued is posted in the profit and loss account, applying the effective interest method.

Loans and receivables also include deposits in credit institutions, which are measured at depreciated cost. Income generated on these deposits are recognized at the effective interest rate.

Receivables for commercial operations and other line items, such as advances, personnel loans or dividends receivable with maturity of up to one year and without a contractual interest rate are measured at their face value when the effect of not updating cash flows is not significant to the initial recognition or to subsequent valuation, unless there is impairment.

Impairment exists when there is a decrease or delay in future estimated cash flows that could result from debtor insolvency.

Corrections in value due to impairment and its reversal, if applicable, are made at the close of the fiscal year, recognizing an expense or revenue, respectively, in the profit and loss account. Nevertheless, impairment losses may only be reversed up to the limit of the depreciated cost that would have been recorded if an impairment loss had not been recognized in previous years.

Financial assets held for trading

Derivative financial instruments that do not entail a financial guarantee contract and were not designated as a hedging instrument are classified in this category.

Initial recognition and subsequent valuation are done at fair value, without subtracting transaction costs. The changes that occur in the fair value are posted in the profit and loss account for the fiscal year.

Investment in the equity of group, multi-group and associated companies

Investment in the equity of group, multi-group and associated companies is initially recognized and measured at cost minus the accumulated amount of corrections in value due to impairment, if applicable.

In the case of non-monetary contributions to group companies, the contributor values the investment at the book value of the assets and liabilities delivered in the Group's most recent consolidated annual accounts. Any difference between the book value of the investment contributed and the value assigned to the interest received is posted in a reserve account.

When a value is assigned due to a balance sheet cancellation or for another reason, the weighted average cost method is applied for homogenous groups.

In the case of the sale of preemptive subscription rights and similar rights or the division of these rights to exercise them, the cost of the rights reduces the book value of the respective assets.

At the close of the fiscal year, when there is objective evidence that the book value of the investment is not recoverable, the necessary corrections in value are made.

The amount of the correction in value corresponds to the difference between the book value of the investment and the recoverable amount. The latter is the greatest difference between its fair value minus sale costs and the present value of the future cash flows derived from the investment.

Corrections in value due to impairment and its reversal, if applicable, are recorded as an expense or revenue for the fiscal year in the profit and loss account.

Cash and other equivalent liquid assets

Cash includes cash on hand and demand deposits, while cash equivalents correspond to highly liquid short-term investments that can be easily converted to fixed amounts of cash and have an insignificant risk of change in value.

Interest and dividends received from financial assets

The interest and dividends from financial assets accrued after acquisition are recognized as revenue in the profit and loss account. The interest is recognized using the effective interest rate method, and dividends when the right to receive them is declared.

To this end, the amount of accrued and non-accrued explicit interest and the dividends agreed upon at the moment of acquisition are recorded independently in the initial valuation of financial assets, bearing in mind their maturity.

Additionally, when the distributed dividends come from earnings generated prior to the acquisition date, because amounts were distributed that are greater than the profits generated by the investee since the acquisition, they are not recognized as revenue and they reduce the book value of the investment.

Cancellation of financial assets

Financial assets are canceled when the contractual rights over the cash flows of the financial asset expire or when they are transferred.

When a financial asset is canceled, the difference between the net received compensation of the attributable transaction costs and the book value of the financial asset, plus any accumulated amount recognized directly as equity, determines the resulting gains or losses and is part of the result for the financial year.

FINANCIAL LIABILITIES

All instruments issued, incurred or assumed that imply a direct or indirect contractual obligation for the Company are recorded as financial liabilities, in accordance with the economic reality of delivering cash or another financial asset or exchanging financial assets and liabilities with third parties in unfavorable conditions.

Financial liabilities are classified as:

Debits and payables

These correspond to debits for commercial and non-commercial operations.

After initial recognition at their fair value (transaction price), they are measured at their depreciated cost, and the interest is recorded in the profit and loss account, applying the effective interest rate method.

In the case of debits for commercial operations with maturity of up to one year and without a contractual interest rate, as well as third-party called capital for holdings whose amount will be paid in the short term, both the initial valuation and subsequent valuations are performed at the face value when the effect of not updating cash flows is not significant.

Financial liabilities held for trading

Derivative financial instruments that are not a financial guarantee contract and were not allocated as hedging instruments are classified in this category.

Initial recognition and subsequent valuation are performed at fair value, without subtracting transaction costs that could arise from disposal. The changes that occur in the fair value are posted to the profit and loss account of the fiscal year.

The put options on the stake held by a minority shareholder in a controlled company, when the acquirer does not have access to the economic profits associated with the shares subject to the option, are recognized both initially and subsequently at fair value.

Cancellation of financial liabilities

Financial liabilities are canceled when the obligation inherent to them has expired. Additionally, acquired shareholders' financial liabilities are canceled even when there is an intention to reassign them in the future.

If there is an exchange of debt instruments with significantly different conditions, the original liability is canceled and the new liability is recognized.

The difference between the book value of the financial liability or the canceled part of the liability and the compensation paid including attributable transaction costs and the compensation that encompasses any transferred asset other than the cash or liability assumed, is recognized in the profit and loss account during the fiscal year in which it occurs.

If there is an exchange of debt instruments without significantly different conditions, the original liability is not removed from the balance sheet, and the paid commissions are recorded as an adjustment to the book value.

Own equity instruments

All items that show a residual investment in Company assets once their liabilities have been deducted are classified in this category.

Treasury stock is assessed at its net acquisition cost and recorded in equity. Expenses incurred on acquisition are recognized in equity as a decrease in the value of reserves.

All transactions performed with equity instruments are recorded under equity as a variation in the value of shareholders' equity.

d) Transactions in foreign currency

Transactions in foreign currencies are converted to euros by applying the exchange rate in force on the transaction date.

At the close of the fiscal year, the balances that correspond to monetary items expressed in foreign currencies are converted at the exchange rate of the euro on that date, and all exchange differences are allocated in the profit and loss account, except for monetary financial assets that are available for sale and in which exchanges rates other than those generated from the amortized cost are recognized directly in equity.

Non-monetary items that are measured at historical cost are generally valued by applying the exchange rate at the transaction date. When determining the equity of an investee company, corrected for the tacit capital gains that exist on the date of valuation, the closing exchange rate is applied to the equity and the tacit capital gains that exist on that date.

Non-monetary items that are measured at fair value are recorded by applying the exchange rate on the date when the fair value was determined, recognizing the losses and gains derived from the valuation in equity or in profit or loss, depending on the nature of the item.

When presenting the cash flow statement, the flows from transactions in foreign currencies are converted to euros by applying the cash exchange rate on the dates of exchange to the amount in foreign currency.

The effect of the variation in exchange rates on cash and other equivalent liquid assets expressed in foreign currency is presented separately in the cash flow statement as "Effect of the variations in exchange rates."

e) Tax on profits

Tax on profits is treated as an expense for the fiscal year and is recorded as such in the profit and loss account, including both the tax burden of the current tax and the effect corresponding to the movement of the deferred tax.

However, tax on profits related to items where modifications in their value are directly recognized in equity are not posted to the profit and loss account but to equity, and the changes in value are included in those items net of the tax effect.

The assets or liabilities due to current tax on profits are measured at the amounts that are expected to be recovered or paid, using the tax regulations and rates that are in force or approved and pending publication at the close of the fiscal year.

The Company files taxes as part of a consolidated Tax Group. The tax on profit expense of the companies in the Tax Group is determined taking into account the parameters used in calculated individual tax as well as the following items:

Temporary and permanent differences arising as a result of eliminating gains and losses on intergroup transactions, derived from the process of determining the consolidated tax base.

Tax credits and deductions corresponding to each company in the consolidated Tax Group. To that end, tax credits and deductions are recorded in the company that carried out the related activity or that obtained the gain necessary to secure the tax credit or deduction.

Temporary differences derived from elimination of gains and losses between companies in the Tax Group are recognized in the company that generated the gain or loss, and are calculated at the applicable tax rate.

Tax losses incurred in certain group companies that have been offset by profits of other companies in the consolidated group give rise to a reciprocal credit and debit between the companies, as appropriate. In the event a tax loss cannot be offset by profits of other companies in the consolidated group, the tax loss carryforwards are recognized as deferred tax assets, considering that they will be offset by future profits of the Tax Group.

The parent company of the Group records the total amount payable for consolidated income tax, recognizing, as appropriate, a payable or a receivable with the different Group and associated companies belonging to the consolidated Tax Group.

Deferred tax liabilities derived from temporary tax differences are recognized in all cases, except when they arise from the initial recognition of goodwill or from an asset or liability in a transaction that is not a business consolidation, on the date of the transaction, if it does not affect the book earnings or the taxable earnings.

Deferred tax is recorded for temporary differences on the date of the balance between the tax base of the assets and the liabilities and their book values. The tax base of an equity item is the amount attributed to it for tax purposes.

The tax effect of temporary differences is included for all taxable temporary differences under the corresponding headings of "Deferred tax assets" and "Deferred tax liabilities," excluding the exceptions provided in current regulations, if applicable.

The Company recognizes deferred tax assets for all deductible temporary differences, unused tax receivables and negative tax bases, to the extent that it is likely that the Company or the fiscal Group has future tax profits that make it possible to apply these assets. The Company also recognizes a deferred tax liability for all taxable temporary differences. Deferred tax assets and deferred tax liabilities are measured according to anticipated tax rates for the fiscal years in which they will be recovered or liquidated, respectively.

f) Revenue and expenses

Revenue and expenses are measured in accordance with the General Accounting Plan.

Revenue from services provided are recognized when the transaction earnings are estimated reliably, taking into account the percentage of the service performed at the close of the fiscal year.

If the gains or losses on a service provision transaction cannot be estimated reliably, revenue is only recognized to the extent which the expenses recognized are recoverable.

Given the Company's activity, the accrued dividends and other revenue from the funding granted investee companies are part of the item "Revenue," and therefore, pursuant to the provisions of the Spanish Accounting and Auditing Institute (ICAC), they are recorded under that heading of the profit and loss account.

g) Provisions and contingencies

Provisions are recognized when there is a current obligation, whether legal or implicit, as a result of a past event, and a probable disbursement of resources that include future economic profits.

They are measured at the close of the fiscal year at the present value of the best possible estimate of the amount needed to cancel or transfer the obligation to a third party. The resulting adjustments are recorded when the provision is updated as a financial expense as it accrues.

The compensation to be received from a third party on settling the obligation, provided that there is no doubt that it will be received, does not entail a decrease in the debt, and the collection right is recognized in the asset whose amount will not exceed the amount of the obligation recorded in the accounts.

h) Personnel expenses

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

Short-term remuneration

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

Post-employment benefits

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

Defined contribution plans

These are post-employment benefit plans in which the company in question makes pre-determined contributions to a separate company (whether linked to the Group or external) and has no legal or implicit obligation to make any additional contributions in the event of an insufficiency of assets to honor the payment of benefits. The obligation is limited to the contribution agreed on to deposit in a fund and the amount of benefits to be received by employees is determined by the contributions made plus the yield obtained by the investments in which the fund was materialized.

Defined benefit plans

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

The liability recognized on the balance sheet for defined benefit pension plans is equal to the present value of the defined benefits obligation on the balance sheet date less, where applicable, the fair value of the assets set aside for the plan.

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

Actuarial gains and losses are recorded in equity accounts.

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

Compensation for termination

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

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

Other long-term remuneration besides those described in the preceding paragraphs and referring specifically to the award for years of service or time with the company are recorded in line with the aforementioned principles; the only exceptions are the cost of past services, which is recognized immediately and recorded as an offsetting entry under the heading "Provisions for risks and expenses", and actuarial gains and losses which are recorded in the profit and loss account.

In 2013, a medium-term incentive plan was approved for certain members of the Group's executive team. The plan was extraordinary, non-cumulative and multi-year, commencing January 1, 2013 and ending March 31, 2016. Payment of the incentives related to this plan was dependent on fulfilling certain corporate and specific objectives, as well as maintaining the work relationship until the plan's termination date. At the close of each year of the plan, fulfillment of the objectives was evaluated and the amount paid was recorded in each period in the profit and loss account, credited to a provisions account. The entire plan was settled at the close of 2016.

In 2016, a new medium-term incentive plan was approved for certain members of the MAPFRE executive team. The plan is extraordinary, non-cumulative and multi-year, commencing January 1, 2016 and ending March 31, 2019, with payment of the part of the incentives deferred to the period 2020-2022. The payment of incentives is dependent on fulfilling certain corporate and specific objectives, as well as remaining in the Group's employment. The incentive will partly be paid in cash (50 percent) and partly by means of MAPFRE S.A. shares (50 percent), and is subject to reduction or recovery clauses. At the close of each year of the plan, fulfillment of the objectives is evaluated and the amount accrued is recorded in the profit and loss account, with a credit to a provisions account for the part of cash remuneration and a credit to equity, for the part corresponding to shares. The valuation of the part of the incentive paid in MAPFRE S.A. shares takes into account the fair value of the equity instruments assigned at the transfer date, based on the terms and conditions of the plan.

Each year, during the vesting period, the number of equity instruments included in the calculation of the transaction amount is adjusted. No additional adjustments are made after the vesting date.

The Company previously had an incentive plan referenced to the value of MAPFRE S.A. shares that was settled in cash and revocable in the sense that it was subject to the executive remaining in the Company's or the Group's employment. This was measured at the initial moment of implementation (2007) using an options valuation method. The measured cost was taken to profit and loss as a personnel expense during the employee's vesting period, while a liability in favor of the employee was recognized as the balancing entry.

At the close of each fiscal year, the liability is measured at its fair value, and any change to the valuation during the fiscal year is posted to the profit and loss account.

At the close of 2016, the share price was below the benchmark price for this plan, and accordingly no rights have been exercised and the plan has expired.

i) Related-party transactions

Transactions with related parties are conducted under market conditions and are recorded according to the aforementioned valuation rules.

5. PROPERTY, PLANT AND EQUIPMENT

The table below shows the movements under this heading for the last two fiscal years:

HEADINGS	OPENING BALANCE BALANCE		INFLOWS		OUTFLOWS		CLOSING BALANCE	
	2016	2015	2016	2015	2016	2015	2016	2015
Land and buildings	13,448	13,448	--	--	--	--	13,448	13,448
Technical installations and other	4,521	3,798	383	726	(51)	(3)	4,853	4,521
TOTAL COST	17,969	17,246	383	726	(51)	(3)	18,301	17,969
Accumulated depreciation	(2,737)	(2,074)	(774)	(663)	49	--	(3,462)	(2,737)
TOTAL NET	15,232	15,172	(391)	63	(2)	(3)	14,839	15,232

Thousands of euros

The main additions generated in both fiscal years correspond to disbursements for improvements to property, plant and equipment.

The depreciation of property, plant and equipment is calculated using the straight-line method and in accordance with the related useful life. The rates of depreciation applied to the different groups of items are indicated below:

GROUPS OF ELEMENTS	% DEPRECIATION
Buildings	2
Vehicles	16
Furniture and fittings	10
Data processing equipment	25

No items of property, plant and equipment were acquired from Group or associated companies in the last two fiscal years.

No items of property, plant or equipment are located outside Spanish territory.

At the close of the last two fiscal years, there were no fully depreciated assets in use.

The Company has insurance policies covering the net book value of property, plant and equipment.

6. INTANGIBLE FIXED ASSETS

The table below shows the movements under this heading for the last two fiscal years:

ITEMS	OPENING BALANCE		INFLOWS		OUTFLOWS		CLOSING BALANCE	
	2016	2015	2016	2015	2016	2015	2016	2015
Software applications	14,271	11,904	758	2,400	(141)	(33)	14,888	14,271
TOTAL COST	14,271	11,904	758	2,400	(141)	(33)	14,888	14,271
Accumulated depreciation	(7,795)	(5,745)	(2,688)	(2,054)	--	4	(10,483)	(7,795)
TOTAL NET	6,476	6,159	(1,930)	346	(141)	(29)	4,405	6,476

Thousands of euros

The main additions generated in both fiscal years correspond to disbursements for the development of current computer applications and the purchase of new licenses.

The annual amortization ratio is 33 percent.

During 2015, the Company revised the estimated useful life of computer applications on the basis of studies, and modified the useful life from four to three years. The impact of this change was applied prospectively as from January 1, 2015, increasing the annual amortization during that year by 498,000 euros.

There are no intangible fixed assets outside Spanish territory.

At the close of the last two fiscal years, there were no fully depreciated assets in use.

7. LEASES AND OTHER OPERATIONS OF A SIMILAR NATURE

Operational leasing

The Company is the lessee under operational leases on one building, the contract for which is on a one-year term and may be extended by one-year increments if neither party manifests to the other its desire to terminate the contract with two months notice. There is no restriction on the lessee whatsoever regarding the prerogative to sign these leases.

The future minimum payments to be paid until the end of the lease term on non-cancellable operational leases amount to 2,486,169 euros, calculated at December 31, 2016 (2,286,402 euros calculated at December 31, 2015).

Lease costs amounted to 2,449,428 euros and 2,263,764 euros in 2016 and 2015, respectively.

8. FINANCIAL INSTRUMENTS

The following table shows the book value of the financial assets recorded in the last two fiscal years.

Financial assets

A.- Long-term financial instruments								
Class	Equity instruments		Debt securities		Credit derivatives and Other		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Loans, receivables and other assets	565	2	--	--	209,225	235,236	209,790	235,238
TOTAL A	565	2	--	--	209,225	235,236	209,790	235,238
B.- Short-term financial instruments								
Class	Equity instruments		Debt securities		Credit derivatives and Other		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Loans, receivables and other assets	--	--	--	--	274,041	254,404	274,041	254,404
TOTAL B	--	--	--	--	274,041	254,404	274,041	254,404
TOTAL A + B	565	2	--	--	483,266	489,640	483,831	489,642

Thousands of euros

Financial liabilities

The book value of the financial liabilities corresponding to the last two fiscal years is shown below.

A.- Long-term financial instruments								
Class	Due to credit institutions		Debentures and other negotiable securities		Derivatives and Other		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Debits and payables	480,000	1,000,000	992,484	579,798	399,078	390,359	1,871,562	1,970,157
Liabilities at fair value with changes in profit and loss								
Other	--	--	--	--	2,922	8,079	2,922	8,079
TOTAL A	480,000	1,000,000	992,484	579,798	402,000	398,438	1,874,484	1,978,236
B.- Short-term financial instruments								
Class	Due to credit institutions		Debentures and other negotiable securities		Derivatives and Other		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Debits and payables	--	--	604,020	15,014	83,863	504,107	687,883	519,121
Liabilities at fair value with changes in profit and loss account:								
Other	--	--	--	--	--	--	--	--
TOTAL B	--	--	604,020	15,014	83,863	504,107	687,883	519,121
TOTAL A + B	480,000	1,000,000	1,596,504	594,812	485,863	902,545	2,562,367	2,497,357

Thousands of euros

The change in fair value of liabilities with changes through profit and loss totaled 5,207,000 euros in 2016 (loss of 4,431,000 euros in 2015). The accumulated amount of the fair value variation was 2,922,000 in 2016 (8,112,000 in 2015).

Credit line limits at December 31 of the last two fiscal years are indicated below.

Bank	Maturity	Limit		Drawn down	
		2016	2015	2016	2015
BANCO SANTANDER	11.12.2021	1,000,000	1,000,000	480,000	1,000,000
CARTERA MAPFRE, S.L.	10.09.2017	200,000	200,000	--	140,000
Total		1,200,000	1,000,000	480,000	1,000,000

Thousands of euros

Banco Santander is the agent bank of the credit line described, which encompasses syndicated loans with other institutions.

The line of credit granted by CARTERA MAPFRE, S.L. accrues interest at a variable rate referenced to the three-month Euribor and may be extended for successive periods.

As on December 31, 2016, accrued interest payable on the line of credit amounted to 4,591,000 euros (1,764,000 as on December 31, 2015). The loan accrues interest at a rate linked to market variables.

The maturities of financial instruments in the last two fiscal years, without considering the financial discount, are shown below:

2016

ITEMS	Maturity in						Closing
	2017	2018	2019	2020	2021	Subsequent	balance
Financial assets							
- Other investments	273,724	25,500	25,500	25,500	25,500	107,791	483,515
Total financial assets	273,724	25,500	25,500	25,500	25,500	107,791	483,515
Financial liabilities							
- Debentures and other negotiable securities	628,950	16,250	16,250	16,250	16,250	1,016,250	1,710,200
- Debts with credit institutions	2,880	2,880	2,880	2,880	482,880	--	494,400
- Other financial liabilities	13,013	255,770	173,239	--	--	3,452	445,474
Total financial liabilities	644,843	274,900	192,369	19,130	499,130	1,019,702	2,650,074

Thousands of euros

2015

ITEMS	Maturity in						Closing
	2016	2017	2018	2019	2020	Subsequent	balance
Financial assets							
- Other investments	254,010	25,500	25,500	25,500	25,500	133,236	489,246
Total financial assets	254,010	25,500	25,500	25,500	25,500	133,236	489,246
Financial liabilities							
- Debentures and other negotiable securities	34,250	612,700					646,950
- Debts with credit institutions	6,000	6,000	6,000	6,000	1,006,000	--	1,030,000
- Other financial liabilities	10,411	299	259,390	177,957	63	8,275	456,395
Total financial liabilities	50,661	618,999	265,390	183,957	1,006,063	8,275	2,133,345

Thousands of euros

Information regarding the profit and loss account and equity

The following table provides information regarding the profit and loss account and the equity of financial instruments for the last two fiscal years:

MAPFRE S.A.

ITEMS	Financial revenue or expenses		Impairment			
			Recorded loss		Reversal gains	
	2016	2015	2016	2015	2016	2015
<u>Financial assets</u>						
Equity instruments	572,271	572,467	(978)	(3,151)	--	280
Receivables	6,154	8,734	--	--	--	--
Trading portfolio and other	5,207	(4,431)	--	--	--	--
Other financial assets	1,583	2,089	--	--	--	--
Exchange rate differences	(14)	(7)	--	--	--	--
Subtotal	585,201	578,852	(978)	(3,151)	--	280
<u>Financial liabilities</u>						
Debt with Group companies	(23,913)	(29,065)	--	--	--	--
Debt with third parties	(52,765)	(83,944)	--	--	--	--
For update of provisions	(200)	(205)	--	--	--	--
Subtotal	(76,878)	(113,214)	--	--	--	--
TOTAL	508,323	465,638	(978)	(3,151)	--	280

Fair value gains or losses recorded by equity instruments correspond to movements of corrections in value in Group and associated companies and in the available-for-sale portfolio, as shown below:

Name	(Impairment) Reversal year 2016	(Impairment) Reversal year 2015
MAPFRE INMUEBLES	(830)	(3,151)
MAPFRE TECH	(148)	--
MAQUAVIT INMUEBLES	--	280
TOTAL	(978)	(2,871)

Thousands of euros

The accrued dividends and other revenue from the funding granted to investee companies are part of the item "Revenue," as established in note 4.f).

Group and associated companies

Annex 1 of the annual report contains details of the Group and associated companies held directly in the last two fiscal years.

Profit and loss of all the companies listed in the annex correspond to ongoing operations, with the exception of MAPFRE VIDA and MAPFRE ESPAÑA, which in 2015 contributed profits attributable to the Company of 171,590,000 euros, recognized in the Group's consolidated annual accounts, in respect of discontinued operations.

In compliance with Article 155 of the consolidated text of the Corporate Enterprises Act, the corresponding notifications were made, when applicable, to the investee companies.

The main operations undertaken in the last two fiscal years with Group and associated companies are described in Note 19 of the annual report.

The minority shareholders of the subsidiaries MAPFRE AMÉRICA and MAPFRE RE have a put option on their shares in these companies. If exercised, MAPFRE or a MAPFRE Group company would have to acquire the shares from the selling minority shareholder. The purchase price of MAPFRE AMÉRICA and MAPFRE RE shares will be calculated using the previously agreed formulas for each case.

During 2016, minority shareholders of MAPFRE AMÉRICA exercised the put option, with MAPFRE S.A. acquiring 788,134 shares, bringing the total interest from 99.22 percent to 100 percent. The purchase price totaled 19,973,000 euros.

At December 31, 2016, based on the variables included in the aforementioned formulas, the commitment assumed by MAPFRE if all the options were exercised would amount to a total of approximately 94.5 million euros (114.5 million euros in 2015).

On December 5, 2016 and in order to restructure the Group's operating areas, MAPFRE AMÉRICA absorbed MAPFRE INTERNACIONAL, with the merger being effective as from January 1, 2016.

The effect of this merger, which was carried out between Group companies, was an increase in reserves of 262,146,000 euros.

In addition, the name of MAPFRE AMÉRICA, S.A. was changed to MAPFRE INTERNACIONAL, S.A.

Financial instruments risk

Credit and market risks are managed centrally through the MAPFRE GROUP Investment Area, which applies a prudent investment policy to mitigate exposure to these kinds of risks.

Liquidity is managed by the Company, which maintains sufficient balances of current assets and lines of credit to cover any event derived from its obligations and has the Group's support for financing operations when additional liquidity is required.

There were no significant amounts in the last two years regarding financial assets exposed to interest rate risk.

The following table shows the significant information for the last two years regarding the level of exposure to the interest rate risk of the financial liabilities:

Item	Amount of the liability exposed to risk							
	Interest rate		Fair value		Not exposed to risk		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Issue of debentures and other negotiable securities	1,596,504	594,812	--	--	--	--	1,596,504	594,812
Other financial liabilities	483,007	1,008,782	530	837	--	--	483,537	1,009,619
Total	2,079,511	1,603,594	530	837	--	--	2,080,041	1,604,431

Thousands of euros

All amounts corresponding to financial assets and liabilities are denominated in euros, with the exception of holdings in investees abroad.

9. SHAREHOLDERS' EQUITY

SUBSCRIBED CAPITAL

- **Share capital**

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

The share capital of the Company at December 31, 2016 and 2015 was represented by 3,079,553,273 shares with a face value of 0.10 euros each, fully subscribed and paid-up. All shares carry the same political and economic rights.

The Annual General Meeting of March 9, 2013 authorized the directors of the Company to increase capital up to a maximum of 153,977,663.65 euros, equivalent to 50 percent of the share capital at the time. This authorization was granted for a period of five years. Furthermore, the directors were authorized to issue analogous fixed-income securities or debentures, convertible or not, for a maximum amount of 2 billion euros.

CARTERA MAPFRE directly held 67.60 percent and 67.70 percent of the share capital at December 31, 2016 and 2015, respectively.

All shares representing the share capital of the Company are admitted to official trading on the Madrid and Barcelona stock markets.

SHARE PREMIUM

This reserve is unrestricted and corresponds to the provisions made as a result of the capital increases, as indicated below.

DATE	ISSUE TYPE	AMOUNT
June 1985	200%	956
October 1985	300%	4,015
January 1986	600%	11,040
June 1986	600%	2,428
January 2007	3,192%	3,320,281
TOTAL		3,338,720

Thousands of euros

LEGAL RESERVE

The legal reserve, which at the end of the last two years amounted to 61,591,065 euros, cannot be distributed to shareholders unless the Company is liquidated. In this case, it may only be used to offset potential losses.

OTHER RESTRICTIONS ON THE AVAILABILITY OF RESERVES

"Reserves" includes reserve for redenomination of the share capital to euros, which in accordance with Article 28 of Law 46/1998 may not be distributed, as well as a capitalization reserve totaling 35,000,000 euros, which will be available once five years have elapsed since its creation.

VOLUNTARY RESERVES AND EARNINGS FROM PREVIOUS YEARS PENDING APPROPRIATION

The reserves included under the "Voluntary reserves" and "Earnings from previous years pending appropriation" are unrestricted.

TREASURY STOCK

In 2016 and 2015, the Company purchased 29,487,334 and 1,012,666 treasury shares, respectively; these represent 0.96 percent and 0.03 percent of the capital, respectively. The prices paid were 57,840,843.65 euros and 2,392,792.20 euros, respectively, at an average rate of 1.96 and 2.36 euros per share, respectively. At December 31, 2016 and 2015, the Company owned 30,500,000 and 1,012,666 treasury shares, respectively; these represent 0.99 percent and 0.03 percent of the capital, respectively. The prices paid were 60,233,635.85 euros and 2,392,792.20 euros, respectively.

The total face value of shares acquired was 3,050,000 euros (101,266.60 euros in 2015).

10. NON-CONVERTIBLE DEBENTURES

At December 31, 2016 and 2015, the balance of this account included the face value of the debentures issued by the Company. The most relevant terms and conditions are described below.

1.- May 2016 issue

- Issue type: simple debentures represented by book entries.
- Total amount: 1 billion euros.
- Number of securities: 10,000.
- Face value of the securities: 100,000 euros.
- Issue date: May 19, 2016.
- Issue period: 10 years.
- Maturity: May 19, 2026.
- Redemption: single payment on maturity and at par, with no expense for the holder.
- Listing: Fixed-income AIAF market.
- Coupon: annual fixed 1.625 percent, payable on the anniversaries of the issue date up to and including the end maturity date.
- Issue rating: BBB+ (Standard & Poor's).

The liability recognized at year end amounts to 992,483,595 euros.

2.- July 2007 issue

- Issue type: subordinated debentures represented by book entries.
- Total amount: 700 million euros.
- Number of securities: 14,000.
- Face value of the securities: 50,000 euros.
- Issue date: July 24, 2007.
- Maturity: July 24, 2037.
- First redemption option: July 24, 2017.
- Redemption in special cases: due to reform or modification of tax regulations, non-classification as issuer's own equity, and change in treatment granted by the credit ratings agencies.
- Interest from the issue to the exercise date of the first redemption option: 5.921 percent per year, payable on July 24 every year.
- Interest from the exercise date of the first redemption option: variable rate equal to the Euribor rate at three months plus 2.05 percent, payable quarterly.
- Interest deferral: the issuer, at its discretion, may defer the payment of interest if it exceeds the distributable profit and if the issuer has not made any payment or has not redeemed or repurchased any kind of capital or securities issued in the same or a lower bracket than the debentures.
- Settlement of deferred interest: the issuer will be obligated to pay the deferred interest when regular payment of the interest on the debentures is renewed, when the debentures are redeemed in advance, or when payments or repurchases of any kind of capital or securities issued in a lower bracket than the debentures are made.

- Order of priority: subordinated to all ordinary creditors, understood as all those who, by order of priority, are ahead of the subordinated creditors in the event of liquidation of the issuer.
- Stock market: AIAF.
- Law: Spanish.
- Issue rating: BBB- (Standard & Poor's)

The liability recorded at the end of the year amounted to 578,944,625 euros (579,798,359 euros in 2015).

At December 31, 2016 and 2015, the total number of securities purchased in the market in previous years was 2,431.

No securities were purchased in the market in the last two years.

3.- December 2012 issue

- Issue type: simple debentures represented by book entries.
- Total amount: 1 billion euros.
- Number of securities: 10.000.
- Face value of the securities: 100,000 euros.
- Issue date: November 16, 2012.
- Issue period: 3 years.
- Maturity: November 16, 2015.
- Redemption: single payment on maturity and at par, with no expense for the holder.
- Listing: Fixed-income AIAF market.
- Coupon: annual fixed 5.125 percent, payable on the anniversaries of the issue date up to and including the end maturity date.
- Issue rating: BBB+ (Standard & Poor's).

The debentures were fully redeemed upon maturity on November 16, 2015.

At December 31, 2016 and 2015, the accrued interest pending maturity for the issue of debentures amounted to 25,075,352 euros (15,013,709 euros in 2015) and is included under the current liabilities heading "Debentures and other negotiable securities".

At December 31, 2016, the Company's working capital was negative in the amount of 353,783,000 euros, due to the transfer to the short term of debentures issued in July 2017. Nevertheless, financing of liabilities and liquidity needs is guaranteed through the financial support received from the Group, as well as through the dividends the Company accepts to receive in 2017 and the available credit lines.

In addition, at December 31, 2015, the Company's working capital was negative in the amount of 196,800,000 euros, primarily due to financing received and passed on to Group companies.

11. FOREIGN CURRENCY

At the end of the last two years there were no significant amounts of asset and liability items expressed in foreign currency.

12. FISCAL SITUATION

Since 1985, the Company has been included for corporate tax purposes in Tax Group No. No. 9/85, consisting of the Company and those subsidiaries that meet the requirements to be eligible for this tax regime.

In 2016, the following companies belonged to Tax Group No. No. 9/85:

MAPFRE S.A.; MAPFRE RE, COMPAÑÍA INTERNACIONAL DE REASEGUROS, S.A.; MAPFRE INMUEBLES, S.G.A.; DESARROLLOS URBANOS CIC, S.A.; SERVICIOS INMOBILIARIOS MAPFRE, S.A.; MAPFRE ASISTENCIA, CIA. INTERNACIONAL DE SEGUROS, S.A.; IBEROASISTENCIA, S.A.; IBEROASISTENCIA INTERNACIONAL, S.A.; IBEROASISTENCIA CONSULTING DE SOLUCIONES Y TECNOLOGÍAS, S.A.; MAPFRE INTERNACIONAL, S.A.; MAPFRE SOFT, S.A.; MAPFRE VIDA, S.A. DE SEGUROS Y REASEGUROS SOBRE LA VIDA HUMANA; MAPFRE INVERSIÓN S.V.S.A.; MAPFRE ASSET MANAGEMENT S.G.I.I.C.S.A.; MAPFRE VIDA PENSIONES S.G.F.P. S.A.; CONSULTORA ACTUARIAL Y DE PENSIONES, MAPFRE VIDA, S.A.; GESTIÓN MODA SHOPPING, S.A.; MIRACETI, S.A.; MAPFRE ESPAÑA S.A.; MULTISERVICIOS MAPFRE S.A.; MAPFRE TECH, S.A.; CENTROS MEDICOS MAPFRE S.A.; MAPFRE GLOBAL RISKS S.A.; SERVIFINANZAS, S.A.; MAPFRE VIDEO Y COMUNICACIÓN, S.A.; CENTRO DE EXPERIMENTACIÓN Y SEGURIDAD VIAL MAPFRE S.A. ; CLUB MAPFRE, S.A.; MAPFRE CONSULTORES DE SEGUROS Y REASEGUROS, S.A.; MAPFRE AUTOMOCIÓN, S.A.; VERTI ASEGURADORA CIA DE SEGUROS Y REASEGUROS, S.A.; MEDISEMAP AGENCIA DE SEGUROS, S.L.; FUNESPAÑA, S.A.; SERVICIOS FUNERARIOS FUNESMADRID, S.A.; FUNERARIA PEDROLA,S.L.;SERVICION Y GESTION FUNERARIA S.A.; TANATORI BENIDOR, S.A.; ALL FUNERAL SERVICES, S.L.; FUNERARIAS REUNIDAS EL BIERZO S.A.; GAB MANAGEMENT & CONSULTING S.R.L.; POMPES FÚNEBRES DOMINGO S.L.

The reconciliation of the book earnings with the corporate tax base for the last two years is shown below.

RECONCILIATION OF THE BOOK RESULT WITH THE TAXABLE RATE OF THE CORPORATION TAX						
Item	Profit and loss account		Revenue and expenses posted directly to equity		TOTAL	
	2016	2015	2016	2015	2016	2015
Balance of revenue and expenses of the year	468,831	450,126	--	--	468,831	450,126
Corporation tax	(30,179)	(48,857)	--	--	(30,179)	(48,857)
Permanent differences	(566,586)	(567,649)	--	--	(566,586)	(567,649)
Temporary differences:						
- originating in the year	16,891	15,481	--	--	16,891	15,481
- originating in previous years	(10,697)	(4,329)	--	--	(10,697)	(4,329)
Compensation of negative tax bases of previous years	--	--	--	--	--	--
Individual taxable rate (fiscal result)	(121,740)	(155,228)	--	--	(121,740)	(155,228)
Permanent differences for fiscal consolidation	(305)	(16)	--	--	(305)	(16)
Individual taxable rate after consolidation	(122,045)	(155,244)	--	--	(122,045)	(155,244)

Thousands of euros

Increases and decreases in the past two years:

Increases due to permanent differences in the profit and loss account relate to expenses that are not tax deductible, including contributions made to support programs for exceptional public-interest events pursuant to Law 49/2002.

Decreases due to permanent differences in the profit and loss account relate to tax-exempt dividends.

The increases for temporary differences from the previous year basically correspond to expenses considered non-tax-deductible for commitments related to pensions and medium-term remuneration of personnel and the value corrections of equity instruments (holdings in Group and associated companies), recorded in the accounts.

Decreases due to temporary differences originating in prior years in the profit and loss account primarily relate to the reversion of provisions for share-based payments that were not deductible in the year in which the corresponding expenses were recognized, to the application of the provision for medium-term remuneration of personnel, to the recovery of the tenth portion of amortization of intangible assets and depreciation of property, plant and equipment that was not tax deductible in 2013 and 2014, and to the recovery of the fifth portion of the provision for impairment of the investee portfolio, which was tax deductible in previous years.

MAPFRE S.A.

Shown below for the years ending December 31, 2016 and 2015 are the main components of the expense for the tax on profits from ongoing operations and the reconciliation between the expense for the tax on profits and the product of multiplying the book earnings by the applicable tax rate.

Item	Amount	
	2016	2015
Tax expense		
Earnings before taxes from ongoing operations	438,652	401,269
25% / 28% of result before taxes from ongoing operations	(109,663)	(112,355)
Tax effect of the permanent differences	141,647	158,942
Permanent differences for fiscal consolidation	--	5
Tax incentives for the year	2,795	2,702
Total (expense)/ revenue from current tax originating in the year	34,779	49,294
Expense from current tax originating in previous years	(4,600)	(103)
Adjustment to temporary differences Law 27/2014 (General Provisions)	--	(334)
(Expense)/revenue for tax of ongoing operations	30,179	48,857
Tax on profits to be (paid)/received	30,179	48,857
Taxes withheld and payments on account	4	52
Temporary differences	(1,472)	(3,123)
Tax effect of capital increase expenses posted to equity	--	--
Tax credits and incentives recorded in previous years and appropriated in the current year	4,600	437
Tax on profits from discontinued operations	--	--
Net tax on profits to be (paid)/ received	33,311	46,223

Thousands of euros

The table below includes tax deductible amounts in prior years in connection with corrections in value of holdings in group and associated companies, the difference in the year in equity of group and associated companies, tax recovered during the year and the pending tax reversion amount.

Company	Deductible tax revenue		Shar. equity differences (beginning / end of the year)		Recoveries		Amounts pending recovery
	2016	Previous years	2016	2015	2016	Previous years	
MAPFRE INMUEBLES	--	18,596	(1,246)	266	3,719	266	14,877
Total	--	18,596	(1,246)	266	3,719	266	14,877

Thousands of euros

Corporate Income Tax Law 27/2014 of November 27 established a reduction in the general tax rate (30 percent) of two percentage points for 2015 (to 28 percent) and of an additional three percentage points for 2016 (to 25 percent).

In 2015, this change in tax rate affected the measurement of tax assets and tax liabilities, which were calculated at the tax rates expected at the time they were applied.

In addition, deferred taxes recorded in previous years were recalculated taking into account the new tax rates, recognizing the difference in the profit and loss account or in equity, depending on the item from which they derived.

The charge to the profit and loss account due to the decrease in deferred tax assets was made through a debit against "Negative adjustments for income tax", while the charge due to the decrease in deferred tax liabilities was made with a credit to "Positive adjustments for income tax". Adjustments booked in equity were made with a credit or debit to the corresponding "Valuation change adjustments" account. In 2015, the effect of these adjustments entailed a charge of 335,000 euros in the income tax expense.

The following tables offer a breakdown of the movements for years 2016 and 2015 under the "Deferred tax assets" heading, differentiating the corresponding amounts in terms of items debited or credited directly to equity.

2016

Item	Opening balance	Originating from		Cancellations	Closing balance
		Earnings	Equity		
Assets					
Commitments to personnel	6,405	1,432	--	--	7,837
Equity instruments impairment	13,342	267	--	--	13,609
Other items	6,113	(887)	--	--	5,226
Total	25,860	812	--	--	26,672

Thousands of euros

2015

Item	Opening balance	Originating from		Cancellations	Closing balance
		Earnings	Equity		
Assets					
Commitments to personnel	4,904	1,816	--	(315)	6,405
Equity instruments impairment	12,624	891	--	(173)	13,342
Other items	4,578	2,901	--	(1,366)	6,113
Total	22,106	5,608	--	(1,854)	25,860

Thousands of euros

The breakdown of movements for years 2016 and 2015 under the heading "Deferred tax liabilities" is also shown below, differentiating the amounts in terms of items debit or credited directly to equity.

2016

MAPFRE S.A.

Item	Opening balance	Originating from		Cancellations	Closing balance
		Earnings	Equity		
Liabilities					
Profit from sales of equity instruments	42	65	--	--	107
TOTAL	42	65	--	--	107

Thousands of euros

2015

Item	Opening balance	Originating from		Derecognized	Closing balance
		Earnings	Equity		
Liabilities					
Profit from sales of equity instruments	104	10	--	(72)	42
TOTAL	104	10	--	(72)	42

Thousands of euros

There are no negative tax bases from previous years pending compensation. The tax incentives held by Company for the last two years are shown below:

2016

Type	Year to which they correspond	Amount applied in the financial year	Amount pending application	Amount not recorded	Deadline for appropriation
Double taxation deduction	2016	0	--	--	--
Other	2016	2,795	--	--	--
TOTAL		2,795	--	--	--

Thousands of euros

2015

Type	Year to which they correspond	Amount appropriated in the year	Amount pending application	Amount not recorded	Deadline for appropriation
Double taxation deduction	2015	5	--	--	--
Other	2015	2,702	--	--	--
TOTAL		2,707	--	--	--

Thousands of euros

In 2011, the Company applied a deduction of 2,175,741 euros for reinvestment of extraordinary profits, as referred to in Art. 42 of the revised text of the Corporate Income Tax Law approved by Royal Decree-Law 4/2004 of March 5, against a tax base of 18,131,178 euros. The commitment to reinvestment was completely covered during the year by investments made by Tax Group No. 9/85.

In 2016 and in accordance with article 25 of Corporate Income Tax Law 27/2014 of November 27, the Company availed of the tax benefit for reduction of the capitalization reserve, as the parent of Tax Group No. 9/85, and will create the corresponding restricted reserve of 12,000,000 euros.

In 2015, Tax Group No. 9/85 also availed of the tax benefit for reduction of the capitalization reserve, having created a restricted reserve to that end, in the amount of 35,000,000 euros.

In 2016, the consolidated settlement of Tax Group No. 9/85 entailed payment of 12,394,073 euros, recognized as an asset in the Company (24,789,922 euros recoverable in 2015).

MAPFRE S.A.

As a result of its distribution between the Group companies, the Company's receivables and payables recorded in the last two years from the controlled companies in Tax Group No. 9/85 were as follows:

COMPANY	AMOUNT			
	CREDIT		DEBIT	
	2016	2015	2016	2015
MAPFRE VIDA, S.A.DE SEGUROS Y REASEGUROS SOBRE LA VIDA HUMANA	1,026	--	--	6,046
MAPFRE RE, COMPAÑÍA INTERNACIONAL DE REASEGUROS, S.A.	25,329	10,764	--	--
MAPFRE INMUEBLES, S.A.	--	6,326	23	--
MAPFRE INVERSION S.V.S.A.	3,503	4,653	--	--
MAPFRE VIDA PENSIONES S.G.F.P. S.A	203	486	--	--
MAPFRE ASSET MANAGEMENT S.G.I.I.C.S.A.	672	722	--	--
CONSULTORA ACTUARIAL Y DE PENSIONES, MAPFRE VIDA, S.A.	8	--	--	2
GESTION MODA SHOPPING, S.A.	--	--	8	1
MIRACETI, S.A.	27	48	--	--
MAPFRE VIDEO Y COMUNICACIÓN, S.A. (MAVICO)	--	158	125	--
SERVICIOS DE PERITACIÓN MAPFRE S.A.	--	--	--	233
MAPFRE CONSULTORES DE SEGUROS Y REASEGUROS, S.A.	3	6	--	--
MAPFRE ASISTENCIA, CIA. INTERNACIONAL DE SEGUROS, S.A.	--	--	2,841	1,497
IBEROASISTENCIA, S.A.	--	--	11	13
CENTRO DE EXPERIMENTACIÓN Y SEGURIDAD VIAL MAPFRE S.A.	--	--	59	51
MAPFRE SOFT, S.A.	--	--	1,086	883
CLUB MAPFRE S.A.	18	18	--	--
DESARROLLOS URBANOS CIC, S.A. (DESURCIC)	--	--	592	1,125
MAPFRE AMÉRICA, S.A.	--	--	1,943	4,310
MULTISERVICIOS MAPFRE S.A. (MULTIMAP)	351	342	--	--
IBEROASISTENCIA INTERNACIONAL, S.A.	3	--	--	1
SERVICIOS INMOBILIARIOS MAPFRE S.A. (SERVIMAP)	49	20	--	--
MAPFRE INTERNET, S.A.	--	--	643	233
MAPFRE MULTICENTRO DEL AUTOMOVIL, S.A.	--	--	218	19
IBEROASISTENCIA CONSULTING DE SOLUCIONES Y TECNOLOGIAS, S.A	--	--	627	176
MAPFRE SEGUROS DE EMPRESAS	--	11,527	--	--
SERVIFINANZAS, S.A	--	--	5	21
MAPFRE INTERNACIONAL, S.A.	--	--	11,963	13,961
MAPFRE GLOBAL RISKS S.A.	9,431	4,728	--	--
POLICLINICOS SALUD 4	--	--	818	2,475
INMOBILIARIA MAPINVER	--	--	--	130
VERTI A SEGURODORA CIA DE SEGUROS Y REASEGUROS, S.A.	--	--	4,614	10,081
MEDISEMAP AGENCIA DE SEGUROS, S.L.	8	9	--	--
MAPFRE ESPAÑA, COMPAÑÍA DE SEGUROS Y REASEGUROS, S.A.	31,162	23,126	--	--
FUNESPAÑA, S.A.	--	--	826	337
SERVICIOS FUNERARIOS FUNEMADRID, S.A	123	--	--	222
FUNERARIA PEDROLA, S.L.	5	6	--	--
FUNETXEA, S.L	--	--	--	23
SERVICIOS Y GESTIÓN FUNERARIA, S.A.	--	--	23	21
TANATORI BENIDORM, S.L.	--	--	--	--
ALL FUNERAL SERVICES, S.L.	148	280	--	--
FUNERARIAS REUNIDAS EL BIERZO, S.A. (*)	33	87	--	--
LAIETANA GENERALES CIA. S.C.A.L.SAU	--	--	--	12
GABM&C SRL	2	--	--	--
PFDOMINGO	26	--	--	--
TOTAL	72,130	63,306	26,425	41,873

Thousands of euros

The total amount payable to the tax authorities in 2016 and the net amount of the aforementioned receivables and payables gives rise to the amount to be collected by the Company, namely 33,310,748 euros (46,223,120 euros in 2015).

During the past two years, no significant eliminations were made in the consolidated tax group due to temporary differences.

MAPFRE S.A.

The following table breaks down the amounts pending reversal as a result of the eliminations for temporary difference in the tax group.

Item	Purchasing company	Amount	Year eliminated
• Shares sale			
- MAPFRE SOFT	MAPFRE INTERNACIONAL, S.A.	(2)	2,003
- MUSINI	MAPFRE GLOBAL RISKS, S.A.	(92)	2,004
- MAPFRE CAUCIÓN Y CRÉDITO	MAPFRE GLOBAL RISKS, S.A.	10,251	2,005
- MAPFRE SERVICIOS DE INFORMAT.	MAPFRE INTERNET, S.A.	1,262	2,010
- MAPFRE INMUEBLES, S.G.A.	MAPFRE CAUCIÓN Y CRÉDITO	(16)	2,010
- MAPFRE INMUEBLES, S.G.A.	MAPFRE ESPAÑA S.A.	(1,764)	2,010
- MAPFRE INMUEBLES, S.G.A.	MAPFRE GLOBAL RISKS, S.A.	(184)	2,010
- MAPFRE INMUEBLES, S.G.A.	MAPFRE ESPAÑA S.A.	(956)	2,010
- MAPFRE INMUEBLES, S.G.A.	MAPFRE VIDA, S.A. DE SEGUROS Y REASEGUROS SOBRE LA VIDA HUMANA	(251)	2,010
- MAPFRE INMUEBLES, S.G.A.	MAPFRE ESPAÑA S.A.	(697)	2,011
- MAPFRE INMUEBLES, S.G.A.	MAPFRE VIDA, S.A. DE SEGUROS Y REASEGUROS SOBRE LA VIDA HUMANA	(98)	2,011
- MAPFRE INMUEBLES, S.G.A.	MAPFRE ESPAÑA S.A.	(371)	2,011
- MAPFRE ESPAÑA	MAPFRE AUTOMOCIÓN	(15)	2,015
- MAPFRE SA	MAPFRE INTERNACIONAL, S.A.	(13)	2,016
- MAPFRE ESPAÑA	MAPFRE INTERNACIONAL, S.A.	207	2,016
- MAPFRE VIDA	MAPFRE INTERNACIONAL, S.A.	23	2,016
- MAPFRE GLOBAL RISKS	MAPFRE INTERNACIONAL, S.A.	(7)	2,016
- MAPFRE GLOBAL RISKS	MAPFRE ESPAÑA S.A.	(43)	2,016
Total		7,234	

Thousands of euros

The following table shows the incorporations in the consolidated tax group during the past two years.

Temporary differences	Company	Year	
		2016	2015
• Impairment Group companies	- MAPFRE INMUEBLES, S.G.A.	3,985	--
Total temporary differences		3,985	572,467

Thousands of euros

In accordance with current legislation, the statements filed 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.

Verification by tax authorities

With respect to tax inspections carried out on income tax filed by the tax group from 2007 to 2009, the Company formally contested an additional tax assessment in the amount of 5,497,000 euros in respect of discrepancies in the deduction applied by the tax group for research and development and technological innovation generated by several subsidiaries, that does not affect MAPFRE S.A. The settlement derived from the assessment was contested and is currently pending a ruling from the Central Administrative-Financial Court.

At December 31, 2016, the Company had open to inspection all taxes to which it is subject for 2013 to 2016, as well as corporate income tax for 2012. In the opinion of the Company's advisors, there is only a remote possibility of tax liabilities occurring and significantly affecting the financial position of the Company at December 31, 2016.

Business restructuring operations

During 2016, the merger by absorption of MAPFRE AMÉRICA, S.A. (absorbing company) and MAPFRE INTERNACIONAL, S.A. (absorbed company) took place, with the resulting entity changing its name to MAPFRE INTERNACIONAL, S.A.

This transaction was covered by the Special Regime foreseen in Chapter VII, Title VII of Corporate Income Tax Law 27/2014 of November 27.

On September 6, 2013, 100 percent of shares of SEGUROS GERAIS held by MAPFRE INTERNACIONAL were spun off to MAPFRE FAMILIAR. MAPFRE S.A. is the sole shareholder of the entities involved in the transaction.

This transaction was covered under the Special Regime of Chapter VIII, Title VII of Royal Legislative Decree 4/2004.

On February 22, 2011, the capital of MAPFRE VIDA was increased via nonmonetary contributions from the companies CAJA CASTILLA LA MANCHA VIDA Y PENSIONES DE SEGUROS Y REASEGUROS and UNIÓN DUERO COMPAÑÍA DE SEGUROS VIDA, S.A., a transaction covered by the Special Regime of Chapter VIII, Title VII of Royal Legislative Decree 4/2004.

For the purposes of the provisions of Article 93 of Royal Legislative Decree 4/2004, the following information is provided:

- Book value of the shares of CAJA CASTILLA LA MANCHA VIDA Y PENSIONES DE SEGUROS Y REASEGUROS, S.A. and UNIÓN DUERO COMPAÑÍA DE SEGUROS VIDA, S.A. contributed in the increase of MAPFRE VIDA capital: 206,472,122 euros.

On June 6, 2011 the capital of MAQUAVIT INMUEBLES was increased via the contribution of the holdings of the company MAPFRE QUAVITAE, a transaction covered under the Special Regime of Chapter VIII, Title VII of Royal Legislative Decree 4/2004.

For the purposes of the provisions of Article 93 of Royal Legislative Decree 4/2004, the following information is provided:

- Book value of shares of MAPFRE QUAVITAE contributed to the capital increase of MAQUAVIT INMUEBLES: 20,695,539 euros.

Up to 2008, the following merger operations were performed, all of them covered under the Special Tax Regime in Chapter VIII, Title VII of the revised text of the Corporate Income Tax Law:

- Merger by absorption of MAPFRE-CAJAMADRID HOLDING DE ENTIDADES ASEGURADORAS, S.A. into MAPFRE S.A. The last balance sheet closed by the absorbed company was included as an annex to the 2008 annual accounts.

- Merger by absorption of MAPFRE AUTOMOBILES, COMPAÑÍA DE SEGUROS Y REASEGUROS, S.A., MAPFRE CAJA SALUD, COMPAÑÍA DE SEGUROS, S.A. and MAPFRE GUANARTEME, COMPAÑÍA DE SEGUROS DE CANARIAS, S.A. into MAPFRE SEGUROS GENERALES, COMPAÑÍA DE SEGUROS Y REASEGUROS, S.A. (which changed its company name to MAPFRE FAMILIAR, COMPAÑÍA DE SEGUROS Y REASEGUROS, S.A.).
- Merger by absorption of MAPFRE AGROPECUARIA, COMPAÑÍA DE SEGUROS Y REASEGUROS, S.A. into MAPFRE EMPRESAS, COMPAÑÍA DE SEGUROS Y REASEGUROS, S.A.
- Merger by absorption of MAPFRE AMÉRICA VIDA, S.A. into MAPFRE AMÉRICA, S.A.

In 2008, the capital of MAPFRE INTERNACIONAL was increased via contributions from the company GENERAL SIGORTA, a transaction that was covered under the Special Regime of Chapter VIII, Title VII of Royal Legislative Decree 4/2004.

For the purposes of the provisions of Article 93 of Royal Legislative Decree 4/2004, the following information is provided:

- Book value of the shares of GENEL SIGORTA contributed in the increase of MAPFRE INTERNACIONAL capital: 282,042,108 euros.

In 2007, the capital of MAPFRE INTERNACIONAL was increased via contributions from the companies MAPFRE SEGUROS GERAIS, CATTOLICA and MAPFRE USA. This transaction was covered under the Special Regime of Chapter VIII, Title VII of Royal Legislative Decree 4/2004.

For the purposes of the provisions of Article 93 of Royal Legislative Decree 4/2004, the following information is provided:

- Book value of shares of SEGUROS GERAIS, CATTOLICA and MAPFRE USA contributed to the capital increase in MAPFRE INTERNACIONAL: 116,500,282.68 euros.

In 2006, a capital increase took place in MAPFRE INTERNACIONAL through the contribution of the Company's stake in MIDDLE SEA and MAPFRE ASIAN INSURANCE CORPORATION, a transaction covered by the Special Regime of Chapter VIII Title VII of Royal Decree Law 4/2004.

For the purposes of the provisions of Article 93 of Royal Decree Law 4/2004, the following information is provided:

- Book value of shares of MIDDLE SEA and MAPFRE ASIAN INSURANCE CORPORATION contributed to the capital increase of MAPFRE INTERNACIONAL: 27,830,737.43 euros.
- Value recorded by the Company for the MAPFRE INTERNACIONAL shares received in the capital increase: 28,599,997.35 euros.

The 2006 annual report contains information concerning this transaction.

On January 31, 2003 there was a capital increase at MAPFRE RE in which the Company contributed the property on Paseo de Recoletos No. 25, Madrid, which it had received in the global assignment of assets and liabilities of INCALBARSA, formalized on December 27, 2000. Both operations were covered by the Special Regime of Chapter VIII of Title VII of Royal Decree Law 4/2004.

This property had a book value of 11,868,822.10 euros at the time of the contribution and an accumulated depreciation of 1,567,104.37 euros.

As a result of the non-monetary contribution in the aforementioned capital increase, the Company received MAPFRE RE shares amounting to 30,000,000 euros.

The 2003 annual report contains information concerning this transaction.

In 2001, the Company performed security exchange operations under the Special Regime of Chapter VIII of Title VII of Royal Legislative Decree 4/2004.

For the purposes of the provisions of Article 93 of Royal Decree Law 4/2004, the following information is provided:

- Book value of 455,054 shares of MAPFRE SEGUROS GENERALES, Compañía de Seguros y Reaseguros, S.A., contributed to the capital increase of MAPFRE-CAJA MADRID, Holding de Entidades Aseguradoras, S.A.: 4,045,896.15 euros.
- Value recorded by the Company for the 4,946,766 shares received from MAPFRE CAJA MADRID, Holding de Entidades Aseguradoras, S.A. in the aforementioned capital increase: 4,045,896.15 euros.

The 2001 annual report contains information concerning these operations.

In 2000, the Company performed operations covered by the Special Regime of Chapter VIII of Title VII of Royal Legislative Decree 4/2004, for the contribution of shares of MAPFRE VIDA, Sociedad Anónima de Seguros y Reaseguros sobre la Vida Humana, S.A., MAPFRE CAUCIÓN Y CRÉDITO, Compañía de Seguros de Reaseguros, S.A., and MAPFRE SEGUROS GENERALES, Compañía de Seguros y Reaseguros, S.A. for a capital increase of MAPFRE-CAJA MADRID Holding de Entidades Aseguradoras, S.A..

Also in the year 2000, the global assignment of assets and liabilities of INCALBARSA, S.A. was formalized for the sole shareholder, CORPORACIÓN MAPFRE S.A. This transaction was also covered by the Special Regime of Chapter VIII of Title VII of Royal Decree Law 4/2004.

The 2000 annual report contains information concerning these operations.

VAT grouping

In 2016, the following companies comprised VAT Tax Group No. 87/10:

MAPFRE S.A.; MAPFRE INTERNACIONAL S.A.; MAPFRE RE COMPAÑÍA DE REASEGUROS S.A.; MAPFRE ESPAÑA, COMPAÑÍA DE SEGUROS Y REASEGUROS S.A.; MAPFRE VIDA S.A.; MAPFRE GLOBAL RISKS S.A.; MAPFRE ASISTENCIA CIA INTERNACIONAL DE SEGUROS Y REASEGUROS S.A.; BANKIA MAPFRE VIDA S.A. DE SEGUROS Y REASEGUROS; CCM VIDA Y PENSIONES DE SEGUROS Y REASEGUROS S.A.; BANKINTER VIDA SOCIEDAD DE SEGUROS Y REASEGUROS S.A.; UNIÓN DUERO VIDA S.A.; DUERO PENSIONES ENTIDAD GESTORA DE FONDOS DE PENSIONES; VERTI ASEGURADORA COMPAÑÍA DE SEGUROS Y REASEGUROS, S.A.; MAPFRE TECH S.A.; MAPFRE SOFT S.A., BANKINTER SEGUROS S.A.; MAPFRE INVERSIÓN SOCIEDAD DE VALORES, S.A.; LAIETANA GENERALES CIA. S.C.A.L. S.A

13. REVENUE AND EXPENSES

The following table shows the social security contributions made by the Company in the last two years:

BREAKDOWN OF SOCIAL SECURITY CONTRIBUTIONS	AMOUNT	
	2016	2015
Social Security	5,798	5,219
Contributions to pensions	7,268	7,050
Other social security contributions	8,106	6,654
TOTAL	21,172	18,923

Thousands of euros

14. PROVISIONS AND CONTINGENCIES

The following table shows the movement in the provisions recognized in the balance sheet for the last two years.

ITEM	OPENING BALANCE		INCREASES		DECREASES		CLOSING BALANCE	
	2016	2015	2016	2015	2016	2015	2016	2015
Long-term provisions								
Obligations for long-term benefits to personnel	8,908	16,385	14,152	2,032	(8,184)	(9,509)	14,876	8,908
Other provisions	940	4,729	984	10	(855)	(3,799)	1,069	940
Short-term provisions								
Short-term provisions	13,451	--		13,451	(13,451)	--	--	13,451
TOTAL	23,299	21,114	15,136	15,493	(22,490)	(13,308)	15,945	23,299

Thousands of euros

At December 31, 2016, "Obligations for long-term benefits to personnel" primarily includes:

- Defined benefit plans that are externalized, detailed in note 16 of the annual report, amounting to 4,748,000 euros (4,855,000 euros in 2015).
- Long service bonus detailed under "Personnel expenses" amounting to 3,321,000 euros (3,042,000 euros in 2015).
- Life insurance covering death between age 65 and 77 years detailed in the note disclosing measurement standards in respect of "Personnel expenses", for 1,534,000 euros (1,011,000 euros in 2015).
- Medium-term remuneration incentives detailed in the note disclosing measurement standards for "Personnel expenses", amounting to 4,736,000 euros.
- Scholarships for children of employees, detailed in the note disclosing measurement standards for "Personnel expenses", in the amount of 536,000 euros. Of this amount, 144,000 euros were expensed in the year, recognizing the amount, net of the tax effect (723,000 euros) under the "Voluntary reserves". This movement is included in the statement of changes in equity as "Other variations in equity" for the year ended December 31, 2016.

In 2015, the decreases in "Long-term provisions" primarily corresponded to the transfer to the short term of the medium-term incentives plan detailed in the note disclosing the measurement standards for "Personnel expenses".

At the close of the last two years, and up to the date these annual accounts were prepared, there was no evidence of the existence of contingent assets and contingent liabilities for significant amounts.

15. ENVIRONMENTAL INFORMATION

The Company did not have any environmental-related item in the last two years that might be significant or specifically included in these annual accounts.

16. EMPLOYEE REMUNERATION

Long-term remuneration to personnel

The current defined benefit and defined contribution plans are measured as described in the recognition and measurement standards.

The expense for defined-contribution pension plans amounted to 7,268,000 euros in 2016 (7,050,000 euros in 2015).

Defined benefit plans are those in which the benefit is established based on final salaries, taking the form of a life annuity reviewable in line with the annual consumer price index (CPI). They apply entirely to retired personnel.

Obligations for defined benefit plans are fully externalized through written policies with MAPFRE VIDA.

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

Item	2016	2015
Present value of obligation at January 1	4,855	4,960
• Current year's service costs	--	--
• Interest cost	200	205
• Actuarial gains and losses	64	67
• Benefits paid	(244)	(241)
• Settlements	--	--
• Other items	(127)	(136)
Present value of obligation at December 31	4,748	4,855

Thousands of euros

The following table shows the reconciliation of the opening and closing balances of redemption rights for the last two years, whose value corresponds to the mathematical provision for the externalization policies.

Item	2016	2015
Value of reimbursement right at January 1	4,855	4,960
• Expected return from allocated assets	200	205
• Employer contributions	--	--
• Actuarial gains and losses	64	67
• Benefits paid	(244)	(241)
• Settlements	--	--
• Other items	(127)	(136)
Value of reimbursement right at December 31	4,748	4,855

Thousands of euros

The main actuarial assumptions used at the close of the last two years were the mortality tables PERM/F-2000 and the annual CPI increase of three percent in both years, with the discount and expected return rates on assets identical as products with matching cash flows.

Defined medium-term remuneration and share-based payments

As detailed in the note disclosing the measurement standards, in 2016 the 2013-2015 medium-term incentives plan was settled.

Furthermore, in 2016 the Board of Directors approved a new medium-term incentive plan measured and recognized in the profit and loss account as indicated in under note 4.h) "Personnel expenses".

In 2016, personnel expenses derived from the plan and recognized in the profit and loss account amounted to 5,662,000 euros. The Company also recognized a liability of 2,744,000 euros, corresponding to the remuneration to be settled in cash, and a liability of 2,918,000 euros, in equity, for the remuneration to be settled through shares.

In 2016, the number of reference shares taken into account for the purposes of this remuneration amounted to 3,788,939.

As indicated in note 4.h) "Personnel expenses", the Company had an incentive plan referenced to MAPFRE S.A. shares, which has now expired.

Personnel expenses recorded in the profit and loss account for this plan amounted to -50,000 euros and -190,000 euros in 2016 and 2015, respectively, with a balancing entry under liabilities. The total book value of the liabilities recorded at the end of 2016 and 2015 in relation to the incentive plan referenced to the share price amounted to 0.00 euros and 50,000 euros, respectively, with an intrinsic value of zero at both dates.

The number of reference shares taken into account for the purpose of calculating the remuneration was 2,339,180 in the last two financial years, with a strike price of 3.42 euros per share. At the close of 2016, the share price was below the benchmark price, with the result that no rights have been exercised and the plan has expired, as mentioned above.

In order to cover the expenses related to this item, at the date of exercise of the right, in 2008 two equity swaps were purchased on 8,625,733 shares and 219,297 shares, with a strike price of 3.2397 and 2.6657 euros, respectively. At the close of 2016 and 2015, the net market value of these equity swaps, amounting to 2,922,000 euros and 8,079,000 euros respectively, was included in "Other financial liabilities" and the variation was reflected in the profit and loss account.

17. SUBSEQUENT EVENTS

There were no significant events subsequent to the close of the year.

18. OPERATIONS WITH RELATED PARTIES

Below are the main operations performed with related parties in the last two years.

Expenses and revenue	Group companies		Other related parties		TOTAL	
	2016	2015	2016	2015	2016	2015
1) Financial expenses	(23,913)	(29,065)	--	--	(23,913)	(29,065)
4) Leasing	(4,620)	(4,280)	--	--	(4,620)	(4,280)
9) Other expenses	(9,997)	(10,044)	--	--	(9,997)	(10,044)
EXPENSES	(38,530)	(43,389)	--	--	(38,530)	(43,389)
10) Financial income	6,154	8,734	--	--	6,154	8,734
13) Dividends received	572,271	572,467	--	--	572,271	572,467
15) Provision of services	80,790	69,411	--	--	80,790	69,411
REVENUE	659,215	650,612	--	--	659,215	650,612

Thousands of euros

Other transactions	Group companies		Other related parties		TOTAL	
	2016	2015	2016	2015	2016	2015
Acquisition of tangible, intangible or other assets	(934)	(1,740)	--	--	(934)	(1,740)
Financing agreements: Credits and capital contributions	194,753	790,270	--	--	194,753	790,270
Amortization or cancellation of credits	(109,107)	(327,114)	--	--	(109,107)	(327,114)
Financing agreements: Loans and capital contributions	(60,000)	(220,000)	--	--	(60,000)	(220,000)
Repayment or cancellation of loans	439,899	98,000	--	--	439,899	98,000
Dividends and other profits distributed	--	--	272,101	292,031	272,101	292,031

Thousands of euros

The following table shows the capital contributions in Group and associated companies in the last two years.

Investments	Group companies	
	2016	2015
Capital increases		
MAPFRE INTERNACIONAL	--	299,999
MAPFRE ASISTENCIA	84,997	72,998
TOTAL	84,997	372,997

Thousands of euros

At December 31, 2016, there were pending disbursements in MAPFRE ASISTENCIA in the amount of 49,978 euros (37,998 euros in 2015).

As indicated in note 8, in 2016 the Company acquired 788,134 MAPFRE AMÉRICA shares from third parties, bringing the total stake from 99.22 percent to 100 percent. The purchase price amounted to 19,973 euros.

MAPFRE S.A.

On December 29, 2016, the Company acquired 1,960,879 MAQUAVIT INMUEBLES, S.L. shares from third parties, bringing the total stake from 56.84 percent to 100 percent. The purchase price amounted to 9,843,000 euros.

On December 23, 2015, the Company acquired 517,656 MAPFRE RE shares from third parties, bringing the total stake from 91.53 percent to 92.25 percent. The purchase price was 7,765,000 euros.

On December 18, 2015, the Company acquired 2,500,000 PREMINEN PRICE COMPARISON HOLDINGS LIMITED shares, obtaining a 50.00 percent shareholding. The purchase price amounted to 2,500,000 euros.

The following table shows the amount of pending balances with Group companies at the close of the last two years:

Item	Assets		Liabilities	
	2016	2015	2016	2015
Loans	384,000	402,000	348,800	728,699
Loan interest	399	435	49,748	76,678
Tax group	72,130	63,307	26,424	41,874
Other items	21,045	13,879	35,206	26,637
TOTAL	477,574	479,621	460,178	873,888

Thousands of euros

In 2015, liabilities included the balance drawn down on the credit facility from CARTERA MAPFRE described in note 8, the finance cost on which stood at 1,140,000 euros in 2016 (310,000 euros in 2015).

Transactions with related parties are related to the normal trading activities of the Company and were conducted according to market conditions.

The following table shows the remuneration received in the last two years by members of the Board of Directors:

ITEM	AMOUNT	
	2016	2015
Short-term remuneration		
Salaries	5,170	4,444
Fixed remuneration	1,788	2,022
Life Insurance	103	92
Other items	173	27
Long service bonus	13	12
TOTAL	7,247	6,597

Thousands of euros

The basic remuneration of external directors is an annual fixed amount for their membership of the Board of Directors, amounting to 110,000 euros in 2016 (100,000 euros in 2015). Members of the Steering Committee received 40,000 euros. In addition, the individual serving as chair of the Steering Committee receives 50,000 euros, while the members of that committee receive 30,000 euros.

In addition, the members benefit from life insurance in the event of death with an insured capital of 150,253 euros, and they also enjoy some of the benefits offered to personnel, such as health insurance.

Executive directors receive the remuneration established in their contracts, including fixed salary, incentives of varying amounts linked to results, life and disability insurance, and other general benefits established for Company personnel. They also receive certain pension complements embodied in defined contribution plans in the event of retirement, externalized through a life insurance policy. All of these payments are pursuant to the remuneration policy established by the Group for its senior executives, whether they are directors or not. In 2016, contributions to defined benefit plans amounted to 3,377,000 euros and were recognized as expenses for the year (3,724,000 euros in 2015).

Executive directors do not receive the fixed amount established for external directors.

In relation to medium-term incentive plans, 3,696,000 euros were settled in 2016, of which 864,000 euros were pending payment at the close of the year. Full provision has been made for this amount. An additional provision of 2,984,740 euros was also made in this connection, of which 2,028,000 euros correspond to remuneration in cash and 956,740 euros to remuneration to be settled through MAPFRE S.A. shares.

The basic remuneration for external directors is approved at the Annual General Meeting at the proposal of the Board of Directors and pursuant to the report issued by the Appointments and Remuneration Committee. The amount of the contractual remuneration for executive directors and the fixed payment for membership on the boards or on the steering committees are approved by the Board of Directors, subject to a report by the committee.

The insurance premium paid on behalf of directors for damages liability was 465,262 euros in 2016 (325,031 euros in 2015).

The remuneration paid to senior management in the last two years is shown below:

	2016	2015
No. of senior management members	6	4
Short-term remuneration	3.238	1.428
Other remuneration	0.042	0.033
TOTAL	3.28	1.461

Figures in millions of euros

Settlement of the 2013-2016 incentive plan led to a disbursement to members of senior management in the amount of 4,979 million euros in 2016. With regard to the 2016-2018 medium-term incentive plan, in 2016 provision was made for 1.27 million euros, which will be settled depending on achievement of targets and the term stipulated in the plan.

In addition, contributions to defined contribution plans amounted to 1.178 million euros, recognized as expenses for the year (0.958 million euros in 2015).

During the year, Company directors did not undertake any operations with the company itself or with any other Group company either outside the scope of the companies' ordinary trading activities or outside normal market conditions.

At the close of the year, no conflicts of interest, either direct or indirect, had arisen between the directors and the Company.

19. OTHER DISCLOSURES

The following tables show the average and year-end headcount during the last two years, by category and gender.

Average number of employees

ITEM	2016		2015	
	Men	Women	Men	Women
Board Directors and Senior Management	10	1	9	--
Executives	88	43	82	40
Technicians	116	123	103	105
Administrative Assistants	19	66	19	65
TOTAL AVERAGE NUMBER OF EMPLOYEES	233	233	213	210

Number of employees at the end of the year

ITEM	2016		2015	
	Men	Women	Men	Women
Board Directors and Senior Management	10	1	9	--
Executives	89	46	88	41
Technicians	124	125	107	118
Administrative Assistants	20	65	18	67
TOTAL NUMBER OF EMPLOYEES	243	237	222	226

The following table shows the average number of employees in Spain with a degree of disability equal to or higher than 33 percent, indicating the categories to which they belong.

MAPFRE S.A.

ITEM	2016	2015
Executives	2	2
Technicians	1	1
Administrative Assistants	5	4
TOTAL	8	7

Remuneration accrued by the external auditor (KPMG Auditores, S.L.) is shown below. It is deemed that these fees do not compromise the independence of the auditors.

ITEM	AMOUNTS	
	2016	2015
Audit services	488,000	105,000
Other verification services	183,127	495,127
Tax services	--	10,500
Other services	193,144	--
Total services by main auditor	864,271	610,627

Thousands of euros

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

ITEM	2016	2015
	Days	Days
Average provider payment period	20	20
Ratio of paid operations	20	20
Ratio of operations pending payment	--	--
	Amount	Amount
Payments made	80,473	73,737
Payments pending	--	--
Total payments for the year	80,473	73,737

Thousands of euros

MAPFRE S.A.

2016

Name	Legal form	Address	Activity	STAKE				thousands of euros									
				%		Voting rights		Capital	Reserves	Other items in equity	Earnings for the year		Book value	(Impairment) / Reversal year	Accumulated impairment	Dividends received	
				Direct	Indirect	Direct	Indirect				Earnings from operations	Other earnings					
MAPFRE TECH	S.A.	Crta.Pozuelo, 52 Majadahonda - 28222 Madrid	IT	0.7746	99.1522	0.7746	99.1522	30,990	(9,168)	--	498	(425)	--	(148)	240	--	
MAPFRE Internacional (formerly MAPFRE America)	S.A.	Crta.Pozuelo, 52 Majadahonda - 28222 Madrid	Holding	100.0000	--	100.0000	--	604,182	4,958,033	(844,947)	218,203	(36,644)	3,806,763	--	--	40,278	
MAPFRE Re Cia. de Reaseguros	S.A.	Paseo de Recoletos 25 28004 Madrid	Reinsurance	92.2454	0.0003	92.2454	0.0003	223,916	750,804	18,614	186,074	--	383,360	--	--	83,287	
MAPFRE Asistencia, Cia Internacional de Seguros y Reaseguros	S.A.	Sor Ángela de la Cruz, No. 6, 28020 Madrid.	Insurance and Reinsurance	99.9970	0.0030	99.9970	0.0030	254,196	129,113	(73,521)	(15,442)	(40,932)	256,928	--	--		
MAPFRE INMUEBLES	S.G.A.	Crta.Pozuelo, 52 Majadahonda - 28222 Madrid	Real Estate	9.9977	89.9941	9.9977	89.9941	825,642	(342,821)	--	1,452	(5,687)	52,888	(830)	54,109		
Maquavit Inmuebles	S.L.	Crta.Pozuelo, 52 Majadahonda - 28222 Madrid	Real Estate	100.0000	--	100.0000	--	45,436	(1,206)	--	(435)	2,215	34,582	--	--	--	
MAPFRE Vida	S.A.	Crta.Pozuelo, 52 Majadahonda - 28222 Madrid	Insurance and Reinsurance	99.9087	--	99.9087	--	60,242	1,315,351	204,388	114,625	55,579	1,132,917	--	--	121,968	
Fancy Investment	S.A.	Avda. 13 de Julio , 841 Montevideo ((Uruguay)	Finance	100.0000	--	100.0000	--	12,123	3,675	(3,938)	--	1610	11,177	--	--	--	
MAPFRE Consultores de Seguros y Reaseguros	S.A.	Paseo de Recoletos 25 28004 Madrid	Advisory and management services	50.0000	49.9997	50.0000	49.9997	120	106	--	(15)	40	61	--	--	--	
MAPFRE INVERSIÓN	S.A.	Crta.Pozuelo, 50 Majadahonda - 28222 Madrid	Investment company	0.0009	99.9078	0.0009	99.9078	33,055	213,617	14,681	(13,334)	53,334	2	--	--		
MAPFRE Asset Management (formerly MAPFRE Inversión DOS)	S.A.	Crta.Pozuelo, 50 Majadahonda - 28222 Madrid	Real estate investment management firm	0.0147	99.894	0.0147	99.894	2,043	10,727	3,522	(2,234)	8,936	2	--	--	4	
MAPFRE España	S.A.	Crta.Pozuelo, 52 Majadahonda - 28222 Madrid	Insurance and Reinsurance	83.5168	16.4825	83.5168	16.4825	564,624	947,892	397,158	365,099	3,096	3,050,931	--	--	242,537	
MAPFRE Global Risks	S.A.	Crta.Pozuelo, 52 Majadahonda - 28222 Madrid	Insurance	100.0000	--	100.0000	--	20,132	1,042,604	79,859	107,981	(3)	529,063	--	--	84,197	

MAPFRE S.A.

2016

Name	Legal form	Address	Activity	STAKE				thousands of euros									
				%		Voting rights		Capital	Reserves	Other items in equity	Earnings for the year		Book value	(Impairment) / Reversal year	Accumulated impairment	Dividends received	
				Direct	Indirect	Direct	Indirect				Earnings from operations	Other earnings					
Clube Mapfre do Brasil	LTDA	Av. dos Autonomistas, 701Vila- Yara – Osasco SP CEP 06020-000(Brazil)	Consultancy	0.3314	99.6686	0.3314	99.6686	151830	28,129	(56,707)	(4,545)	2,819	86	--	--	--	
Premien Price Comparison Holding	LTDA	Ty Admital David street Cardiff CF 102EH	Online insurance policy price comparator	50.0000	0.0000	50.0000	0.0000	5.000	--	--	--	(426)	2,500	--	--	--	
Total												9,261,260	(978)	54,349			
Other investments												40					
Total investments in Group and affiliated companies												9,261,300					

No companies are listed on the stock market.

(*) Recoverable amount determined based on the fair value of company assets and liabilities.

MAPFRE S.A.

2015

Name	Legal form	Address	Activity	STAKE				thousands of euros									
				%		Voting rights		Capital	Reserves	Other items in equity	Earnings for the year		Book value	(Impairment)	Accumulated impairment	Dividends received	
				Direct	Indirect	Direct	Indirect				Earnings from operations	Other earnings		/Reversal			year
MAPFRE TECH	S.A.	Crta.Pozuelo, 52 Majadahonda - 28222 Madrid	IT	0.9744	98.9339	0.9744	98.9339	10,032	(8,919)	--	8	100	--	(92)	92	--	
MAPFRE AMERICA	S.A.	Crta.Pozuelo, 52 Majadahonda - 28222 Madrid	Holding	99.2172	0.0001	99.2172	0.0001	604,182	2,522,147	(1449,071)	255,073	(14,716)	1,168,654	--	--	39,964	
MAPFRE Re Cia. de Reaseguros	S.A.	Paseo de Recoletos 25 28004 Madrid	Reinsurance	92.2454	0.0003	92.2454	0.0003	223,916	689,117	108,552	152,566	--	383,360	--	--	83,963	
MAPFRE Asistencia, Cia Internacional de Seguros y Reaseguros	S.A.	Sor Ángela de la Cruz, No. 6, 28020 Madrid.	Insurance and Reinsurance	99.9970	0.0030	99.9970	0.0030	181,176	179,931	(67,209)	(4,143)	(28,794)	183,910	--	--		
MAPFRE INTERNACIONAL	S.A.	Paseo de Recoletos 25 28004 Madrid	Holding	100.0000	0.0000	100.0000	0.0000	1,906,924	448,399	307,938	(30,998)	(15,962)	2,355,987	--	--	29,728	
MAPFRE INMUEBLES	S.G.A.	Crta.Pozuelo, 52 Majadahonda - 28222 Madrid	Real Estate	9.9977	89.9941	9.9977	89.9941	825,642	(343,451)	--	(1,935)	4,024	53,718	(3,059)	53,279		
Maquavit Inmuebles	S.L.	Crta.Pozuelo, 52 Majadahonda - 28222 Madrid	Real Estate	56.8432	--	56.8432	--	45,436	(1,238)	--	(486)	566	24,739	280		--	
MAPFRE Vida	S.A.	Crta.Pozuelo, 52 Majadahonda - 28222 Madrid	Insurance and Reinsurance	99.9087	--	99.9087	--	60,242	1,163,590	204,421	214,414	59,960	1,132,911	--	--	143,870	
Fancy Investment	S.A.	Avda. 18 de Julio , 841 Montevideo ((Uruguay)	Finance	100.0000	--	100.0000	--	12,983	2,702	(7,088)	--	1,971	12,022	--	--	--	
MAPFRE Consultores de Seguros y Reaseguros	S.A.	Paseo de Recoletos 25 28004 Madrid	Advisory and management services	50.0000	49.9997	50.0000	49.9997	120	67	--	(8)	48	61	--	--	--	
MAPFRE INVERSIÓN	S.A.	Crta.Pozuelo, 50 Majadahonda - 28222 Madrid	Investment company	0.0009	99.9078	0.0009	99.9078	33,055	202,866	16,341	(14,181)	5,1864	2	--	--		
MAPFRE Inversión DOS	S.A.	Crta.Pozuelo, 50 Majadahonda - 28222 Madrid	Real estate investment management firm	0.0147	99.894	0.0147	99.894	2,043	33,067	4,055	(1,625)	5,869	2	--	--		
MAPFRE España (formerly M. Familiar)	S.A.	Crta.Pozuelo, 52 Majadahonda - 28222 Madrid	Insurance and Reinsurance	83.5168	16.4825	83.5168	16.4825	564,624	1,047,515	367,708	190,937	7,108	3,050,931	--	--	200,946	
MAPFRE GLOBAL RISKS	S.A.	Crta.Pozuelo, 52 Majadahonda - 28222 Madrid	Insurance	100.0000	--	100.0000	--	20,132	604,067	84,867	90,463	(82)	529,063	--	--	73,996	

MAPFRE S.A.

2015

Name	Legal form	Address	Activity	STAKE				thousands of euros								
				%		Voting rights		Capital	Reserves	Other items in equity	Earnings for the year		Book value	(Impairment) / Reversal year	Accumulated impairment	Dividends received
				Direct	Indirect	Direct	Indirect				Earnings from operations	Other earnings				
Clube Mapfre do Brasil	LTDA	Av. dos Autonomistas, 701Vila- Yara – Osasco SP CEP 06020-000(Brazil)	Consultancy	0.3314	98.8953	0.3314	98.026	151830	26,022	(83,525)	(800)	7,407	86	--	--	--
Premien Price Comparison Holdings Limited	LTDA	Ty Admital David street Cardiff CF 102EH	Online insurance policy price comparator	50.0000	0.0000	50.0000	0.0000	5,000				(426)	2,500			--
Total												8,897,946	(2,871)	53,371		
Other investments												6				
Total investments in Group and affiliated companies												8,897,952				

No companies are listed on the stock market.

(*) Recoverable amount determined based on the fair value of company assets and liabilities.

INDIVIDUAL MANAGEMENT REPORT

2016

MAPFRE S.A.

MAPFRE S.A.
2016 INDIVIDUAL MANAGEMENT REPORT

MAPFRE S.A. (the "Company") is a corporation (Spanish "sociedad anónima") whose main activity is the investment of its funds in real-estate assets and tradeable financial securities.

Key individual figures

Key figures of the profit and loss account are as follows:

- Dividend revenue from Group companies stood at 572.3 million euros, down 0.03 percent on the prior year.
- Operating expenses amounted to 149.5 million euros, an 11.4 percent increase on 2015.
- Financial income amounted to 1.6 million euros, compared to 2.1 million euros in 2015.
- Financial expenses stood at 76.9 million euros, down 32.1 percent on the prior year.
- During 2016, the Company recognized impairment allowances of 0.9 million euros in respect of investments held by Group and associated companies (2.7 million euros in 2015).
- As a result of the foregoing, pre-tax profit stood at 438.6 million euros, up 9.3 percent on the prior year.
- Income tax revenue amounted to 30.2 million euros in 2016, compared to 48.9 million euros in the prior year.

- Post-tax profit was 468.8 million euros, up 4.2 percent on 2015.

Key balance sheet figures are as follows:

MAPFRE S.A.'s shareholders' equity amounted to 7,272.7 million euros, an increase of 276.9 million euros (4 percent) from 2015. The change in reserves related to the merger between MAPFRE AMÉRICA, S.A. (absorbing company) and MAPFRE INTERNACIONAL, S.A. (absorbed company), which increased reserves by 262 million euros. This related to the difference between profit for the year and dividends paid during the year (215.6 million euros) and the final dividend for 2015 distributed in 2016 (184.8 million euros).

- Assets totaled 9,874.3 million euros, of which 9,465.3 million euros relate to long-term investments in Group and associated companies and 273.6 million euros correspond to short-term investments in Group and associated companies.

Main activities

The main variations in the Company's financing sources during 2016 were the following:

- Issue of simple debentures totaling 1,000 million euros, maturing in May 2026.
- Partial cancellation of loans from Group companies, in the amount of 379.9 million euros.
- Partial cancellation of the syndicated loan, maturing in December 2021, in the amount of 520 million euros.

Investments in Group companies

During 2016, the Company had the following expenditure in respect of investments in Group companies:

- Acquisition of 788,134 MAPFRE AMÉRICA, S.A. shares from third parties, for 20 million euros, bringing the total stake from 99.22 percent to 100 percent.
- Acquisition of 1,960,879 MAQUAVIT INMUEBLES, S.L. shares from third parties, for 9,843 million euros, bringing the total stake from 56.84 percent to 100 percent.
- Capital increase in MAPFRE ASISTENCIA of 85 million euros.

MAPFRE and its shareholders

MAPFRE's relationship with its shareholders and investors is guided by specific corporate policies approved in July 2015. These policies call for the relationship to be based on trust, communication and fairness, with a special focus on promoting shareholder participation at general meetings.

Key share data

The table below shows the key information relating to MAPFRE shares at December 31, 2016:

Number of shares outstanding	3,079,553,273, fully subscribed and paid up
Face value of each share	0.10 euros
Share class	Common, represented by book entries. All outstanding shares carry identical voting and dividend rights.
Stock exchange listings	Madrid and Barcelona stock exchanges (electronic trading platform)
Stock market index membership	<ul style="list-style-type: none"> – IBEX 35 – Dow Jones Stoxx Insurance – MSCI Spain – FTSE All-World Developed Europe – FTSE4Good¹ and FTSE4Good IBEX¹
ISIN code	ES0124244E34

¹ Indices that measure the performance of companies' actions to uphold and support sustainable development and human rights.

Share value and returns

The share price performance during 2016 is shown in the following table, compared to two key benchmark indices (the IBEX 35 and the Dow Jones STOXX Insurance indices):

	1 YEAR	3 YEARS	5 YEARS
MAPFRE	25.4%	-6.8%	18.1%
DJ Stoxx Insurance	-5.6%	18.2%	102.3%
IBEX 35	-2.0%	-5.7%	9.2%

The trends in MAPFRE's earnings per share (EPS) during the same period are shown below:

	2016	2015	2014	2013	2012
EPS (euros)	0.25	0.23	0.27	0.26	0.22
INCREASE	8.7%	-14.8%	3.8%	18.2%	-31.3%

Shareholder structure

At the close of 2016, Fundación MAPFRE, through its direct and indirect holdings, owned 68.7 percent of the Company's shares. In addition, 234,331 Spanish shareholders owned 11.7 percent, while 2,478 shareholders from other countries held the remaining 19.6 percent.

Of the Spanish shareholders, 1.2 percent were investors holding more than 0.1 percent, and 10.5 percent were investors with other shareholdings. With regard to investors resident in other countries, 18.8 percent had a holding of more than 0.1 percent while 0.8 percent were investors with other shareholdings.

The table below shows the shareholder breakdown by country:

COUNTRY	%
Spain	80.46
United States	3.85
France	1.55
United Kingdom	1.49
Germany	1.21
Nordic Countries	0.88
Netherlands	0.37
Switzerland	0.22
Canada	0.18
Italy	0.09
Australia	0.06
Ireland	0.04
Japan	0.03
Hong Kong	0.02
Andorra	0.01
Austria	0.01
Portugal	0.01
Other	9.53

One of MAPFRE's main goals is the generation of value and suitable shareholder remuneration. The dividend policy establishes that shareholder remuneration must be linked with the Company's profit, solvency, liquidity and investment plans, and also its shareholders' expectations. As a general rule, the Board of Directors proposes at the Annual General Meeting a distribution of dividends of between 45 percent and 65 percent of the attributable result (payout ratio).

In 2016, the Board of Directors resolved to pay an interim dividend against the year's earnings of 0.06 euros per share, raising the total dividend payout in the year to 0.13 euros per share, amounting to a total dividend payout of 400.3 million euros.

The final dividend for 2016 to be proposed at the Annual General Meeting is a dividend of 0.085 euros per share (before tax). The total dividend against 2016 earnings would therefore amount to 0.145 euros per share before tax, giving a payout ratio of 57.6 percent.

The trends in dividend payments and the dividend yield, calculated on average share prices, are indicated below:

	2016	2015	2014	2013	2012
DIVIDEND (euros)	0.13	0.14	0.14	0.12	0.12
DIVIDEND YIELD	5.8%	4.9%	4.7%	4.4%	6.1%

Since the current economic and financial crisis broke out in 2007, MAPFRE has increased the amount allocated to dividends by 59.9 percent.

MAPFRE's relationship with shareholders and investors

In 2016, communication with shareholders was reinforced with the organization of the first Investor Day. Over 80 analysts and institutional investors met in Madrid with MAPFRE's Chairman and key executives. The different sessions held during the day allowed shareholders and investors to gain in-depth knowledge of the most relevant business units and regions in which the Group operates.

In 2016, the Company launched its Shareholder Communication Plan, which will improve the Company's relationship with its shareholders through a number of initiatives. The plan aims to improve the quality of the information published on the Company, increase communication and ensure that shareholders feel proud of MAPFRE's business activity, beyond the economic return on their investment.

MAPFRE communication channels

MAPFRE'S communication channels are described below.

Spanish National Securities Market Commission (Comisión Nacional del Mercado de Valores, “CNMV”)

Information on the Company's business performance is sent to the Spanish National Securities Market Commission prior to general publication. On a regular basis, the Company submits the following to the CNMV:

<u>Frequency</u>	<u>Type of information</u>
Annual	<ul style="list-style-type: none">– Individual and consolidated annual reports– Intrinsic value of the Life and Savings business
Quarterly	<ul style="list-style-type: none">– Reports following the format required by the Spanish National Securities Market Commission (CNMV)– Earnings presentations

Through this communication channel, investors can access information the Company's activities and on the major events occurred.

Corporate website

The corporate website www.mapfre.com constitutes the main means of communication between the Company and its shareholders, institutional investors and the public in general. The Company immediately publishes on this website all reports filed with the Spanish National Securities Market Commission (CNMV) and with other official bodies.

Likewise, any other documents required by prevailing legislation as regards announcements and celebrations of annual general meetings and any other information for which publication is mandatory, as well as corporate governance policies and any information considered appropriate for dissemination to shareholders and investors, are also published here.

The corporate website also features a form for processing queries and requests of shareholders and investors, both private and institutional.

Investor Relations Department

The Investor Relations Department is the permanent communication channel open between the Company and its shareholders to deal with their queries and requests for information. Shareholders can contact the Company using the email address relacionesconinversores@mapfre.com or the toll-free number 900 10 35 33, as well as the contact form available through the corporate website. This department is also the communications channel with the proxy advisors for informing them and dealing with their queries in relation to proposed resolutions presented at the annual general meeting concerning their recommendations.

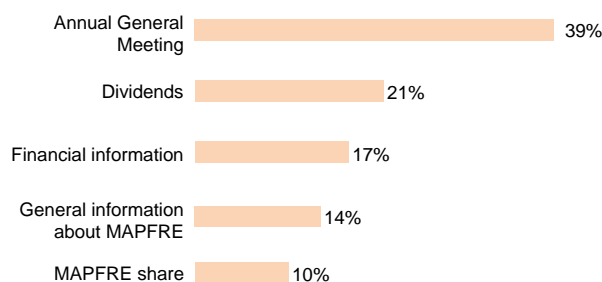
In terms of contact with private shareholders in respect of actions carried out in 2016, the following initiatives were undertaken to further develop shareholder communication channels:

- The shareholder hotline serviced over 1,023 queries, primarily related to the Annual General Meeting, dividend payments and financial information.
- A total of 96 requests were handled through the website contact form and the email relacionesconinversores@mapfre.com.
- Specific links were included in the “Shareholders and Investors” section of the corporate website to facilitate access to documentation deemed of particular importance to shareholders, such as documentation relating to the Annual General Meeting.

The Electronic Shareholders’ Forum, set up in 2011, was also operational for the Annual General Meeting held on March 11, 2016.

- The half-yearly newsletter was distributed with information on earnings, key activities and the Company's share price performance.

These channels of communication enabled the Company to identify the main topics of interest for shareholders, as shown in the graph below:



In 2016, the Investor Relations Department carried out intense activity regarding communications with financial analysts, shareholders and institutional investors. Among the main issues covered were the 2016-2018 financial targets, the recovery in Spain, performance in the United States and Latin America, particularly Brazil, expected dividend trends and Solvency II.

The table below shows a summary of the communication activities carried out with the financial markets in 2016:

Presentations of results	4
Video conferences	4
Meetings with Spanish shareholders and institutional investors	56
Meetings with shareholders and institutional investors from other countries	243
of which:	
United Kingdom	92
France	38
Italy	18
Switzerland	17
Portugal	12
Germany	11
Nordic Countries	10
United States	6
Other	39
Participation in institutional investor forums	13
of which:	
United Kingdom	4
Spain	4
France	2
Germany	1
Ireland	1
United States	1
Meetings with financial analysts	67

Since 2001, MAPFRE has been an active member of the Spanish Investor Relations Association (Asociación Española para las Relaciones con Inversores, AERI).

Stock market data

In 2016, MAPFRE S.A. shares traded for 256 days on the electronic trading platform, with a frequency index of 100 percent. In total, 2,312,308,450 securities were traded, compared to 2,553,834,115 in the previous year, reflecting a decrease of 9.5 percent. The effective value of these transactions amounted to 5,211.8 million euros, compared to 7,314.2 million euros in 2015, down 28.7 percent.

At the end of 2016, five Spanish and international investment banks had "Buy" recommendations for the Company's shares, compared to five "Hold" recommendations, while seven had the stock on their "Sell" lists.

Other disclosures

MAPFRE S.A. has several Corporate Areas (Finance, Investment, Human Resources, Resources and Institutional Coordination, Business Support, Internal Audit, Strategy and M&A, General Counsel and Legal Affairs, and Business, Clients and Innovation), all with global responsibilities for all the Group's companies.

Environment

In 2016, the Group continued its initiatives to ensure compliance with the commitments assumed in the corporate environmental policy. In particular, it focused on transparently demonstrating its performance with regard to environmental aspects defined as material both internally and by stakeholders, and on reinforcing the global commitment undertaken in this respect.

In accordance with the guidelines defined in the Integrated Environmental, Energy and Carbon Footprint Management System (hereafter, SIGMAYE), MAPFRE pursues its environmental initiatives in line with international standards ISO 14001, ISO 50001 and ISO 14064. The transversal design and global implementation of SIGMAYE enable the Group to set both global and specific local objectives, 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, MAPFRE continued to pursue the initiatives defined in the Energy Efficiency and Climate Change Strategic Plan, the objective of which is to reduce Group emissions by 20 percent by 2020. A notable development in this respect was the acquisition of electricity from renewable sources for all MAPFRE facilities in Spain.

For the second year running, initiatives in this area earned recognition from the CDP (Carbon Disclosure Project) of MAPFRE as a global leader in taking action on climate change, and the Group was included on the CDP Global Climate A-list.

Regarding biodiversity conservation, for the first time since joining the Biodiversity Pact launched by the Spanish Companies 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, organized under the auspices of the collaboration agreement with the WWF to support the “NI UN GRADO MÁS” (Not One Degree More) campaign.

Furthermore, coinciding with World Environment Day, the goal of which in 2016 was "Zero tolerance for the illegal wildlife trade", 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.

Acquisition and disposal of treasury stock

MAPFRE S.A. shares are bought and sold in accordance with prevailing regulations, the relevant resolutions adopted at the Annual General Meeting, and the MAPFRE Group Treasury Stock Policy on how to handle transactions involving the Company's own shares.

MAPFRE Group treasury stock transactions have a legitimate purpose and always comply with the recommendations on treasury stock discretionary transactions issued by the Spanish National Securities and Exchange Commission (the CNMV).

"Legitimate purpose" refers to:

- Favoring trading liquidity and regularity in the purchase of MAPFRE shares.
- Allowing MAPFRE access the securities it requires in order to comply with potential obligations to deliver treasury stock, for example as a result of shareholder, executive or employee remuneration or loyalty schemes, or issues of corporate stock or operations.

In any case, treasury stock transactions are carried out under conditions that ensure neutrality in the price setting of MAPFRE shares in the market and complete transparency in relationships with market supervisors and governing bodies. Furthermore, these transactions are never carried out on the basis of privileged information.

The Treasury Stock Policy includes general rules on aspects such as the transaction volume, maximum and minimum order price, and execution time limits.

In 2016 a total of 29,487,334 treasury stocks were acquired, representing 0.9575 percent of the capital and amounting to 57,840,843.65 euros. In the previous year, a total of 1,012,666 treasury shares were acquired, representing 0.0329 percent of the capital and amounting to 2,392,792.20 euros. As at

December 31, 2016, the total balance of 30,500,000 treasury shares represented 0.9904 percent of the capital and amounted to 60,233,635.85 euros.

Human Resources

The following tables show the average and year-end headcount for the last two years, by category and gender.

Average number of employees

REINSURANCE	2016		2015	
	Men	Women	Men	Women
Board Directors and Senior Management	10	1	9	--
Executives	88	43	82	40
Technicians	116	123	103	105
Administrative assistants	19	66	19	65
TOTAL AVERAGE NUMBER OF EMPLOYEES	233	233	213	210

Number of employees at the end of the year

REINSURANCE	2016		2015	
	Men	Women	Men	Women
Board Directors and Senior Management	10	1	9	--
Executives	89	46	88	41
Technicians	124	125	107	118
Administrative assistants	20	65	18	67
TOTAL NUMBER OF EMPLOYEES	243	237	222	226

The following table shows the average number of employees in Spain with a degree of disability equal to or higher than 33 percent, indicating the categories to which they belong.

REINSURANCE	2016	2015
Executives	2	2
Technicians	1	1
Administrative Assistant	5	4
TOTAL	8	7

External auditing

Remuneration accrued by the external auditor (KPMG Auditores, S.L.) is shown below. It is deemed that these fees do not compromise the independence of the auditors.

	AMOUNT (euros)	
	2016	2015
Audit services	488,000	105,000
Other verification services	183,127	495,127
Tax services	--	10,500
Other services	193,144	--
Total services by main auditor	864,271	610,627

Governing bodies

At the Board of Directors meetings held on July 26, 2016 and September 29, 2016, Ana Isabel Fernández Álvarez and Fernando Mata Verdejo were appointed to the Board through the co-optation procedure, with the latter appointment taking effect as from January 1, 2017.

At the Board of Directors meeting held on March 11, 2016, Esteban Tejera Montalvo, Ignacio Baeza Gómez, María Leticia de Freitas Costa and José Antonio Colomer Guiu were re-appointed to the Board.

On March 6, 2016, April 22, 2016 and July 23, 2016, respectively, Luis Iturbe Sanz de Madrid, Alberto Manzano Martos and Rafael Fontoira Suris resigned from the Board, in compliance with the Board of Directors' Regulation.

During 2017, the appointments of Adriana Casademont i Ruhí and Ana Isabel Fernández Álvarez will expire, the latter of which was appointed through the co-optation procedure at the date indicated above. The Appointments and Remuneration Committee has proposed that these two directors be reappointed.

During 2017, the appointment of Fernando Mata Verdejo will expire. This director was appointed through the co-optation procedure at the date indicated above.

Lastly, proposals have been made to re-appoint Fernando Mata Verdejo and to appoint Francisco José Marco Orenes as a new Board member. These proposals were preceded by favorable reports from the Appointments and Remuneration Committee.

Average provider payment period

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

	2016	2015
	Days	Days
Average provider payment period	20	20
Ratio of paid operations	20	20
Ratio of operations pending payment	--	--
	Amount	Amount
Payments made	80,473	73,737
Payments pending	--	--
Total payments for the year	80,473	73,737

Thousands of euros

Research and development

No significant research and development activities were carried out during the year.

Significant events for the Company that occurred after the year-end close

There were no significant events subsequent to the close of the year.

Outlook

The International Monetary Fund (IMF) projects global growth at around 3.4 percent, which represents an acceleration compared with just over 3 percent at the end of 2016. This figure is slightly lower than the IMF's April projection and similar to the July forecast, which confirms that activity in the latter part of 2016 was more or less as predicted. Naturally, growth is firmly biased toward the emerging economies, where the IMF estimates a rate of 4.6 percent in 2017, four decimal points higher than in 2016, revealing confidence in the recovery of these countries. The projection for the advanced economies is 1.8 percent, two decimal points higher than last year but nevertheless indicative of a weaker performance than the emerging economies..

This outlook is based on an increase in world trade which the IMF estimates at 3.8 percent, a significant improvement on 2016. The recovery of the advanced economies remains very weak because the strong monetary stimulus received has not managed to eradicate the burden of excessive—mainly public—debt, a situation compounded by contractionary fiscal policies and the absence of credit. These effects are much more perceptible in the Eurozone, where the predicted growth in 2017 is a mere 1.5 percent. The United States is reaping the benefits of a more advanced position in the cycle and its GDP is therefore expected to grow by 2.2 percent. The four main European economies are likely to remain in positive territory, albeit with Italy still below 1 percent.

The projections for Spain indicate sustained growth at the head of Europe. Specifically, the IMF puts GDP growth in 2017 at 2.3 percent. This is a marked downturn compared with over 3 percent in 2016, precipitated by a slowdown of nearly every component. However, the IMF has praised Spanish economic policies as highly favorable for business and therefore for sustaining the country's recovery, in spite of this slowdown.

Among the emerging countries, the standout projections are for Asia, with China and India reporting 6.2 percent and 7.6 percent, respectively. By contrast, Latin America will see its growth limited to 1.6 percent, mainly because of the burden of Brazil, whose GDP rate for 2017 the IMF estimates at 0.5 percent. In spite of this extremely modest figure, Brazil has nevertheless shown considerable

improvement, following a growth rate of 3.8 percent in 2015 and just under 3 percent in 2016. Consequently, this 0.5 percent implies that the country is firmly on the path to recovery. By contrast, Mexico is expected to see growth of 2.3 percent.

The two sides of the Atlantic will continue to pursue different monetary policies if there are no surprises. The Federal Reserve (Fed) of the United States has hinted that it intends to continue raising interest rates at a moderate but sustained pace, especially in view of the anticipated increase in inflation as a result of the economic measures announced and very low unemployment. In contrast, the European Central Bank (ECB) will continue to buy assets as part of its quantitative easing (QE) policy throughout the year, enabling the European money supply to continue growing. At some point near the end of 2017 questions are likely to be raised about whether these purchases should be reduced or not, which could in itself lead to slightly tighter financial conditions, but this would be minimal compared to the massive amount of liquidity which the ECB has injected in the last two years. Among the emerging central banks, the most significant process will probably be interest rate cuts throughout the year in Brazil.

The main risks for 2017 are political, since the year will see elections in several European countries. In light of certain events last year, economic and financial analysts are attaching much greater weight to possible surprises in electoral processes, and these therefore constitute a very significant risk. Likewise, the U.S. economic policy is currently an unknown quantity. The combination of these two circumstances could lead to considerably tighter financial conditions in a context where the recovery is still fragile. This could have repercussions for the emerging markets since the sustained appreciation of the dollar may cause a very deep impact at a time when they are still recovering from the problems of 2016 and 2015.



AUDIT COMMITTEE REPORT
TO THE MAPFRE S.A. BOARD OF DIRECTORS IN
RELATION TO ITS COMPOSITION AND FUNCTIONS IN THE 2016 FISCAL
YEAR

The Audit Committee is the delegate body of the MAPFRE S.A. Board of Directors for undertaking supervisory functions relating to the integrity of finance information and the effectiveness of internal control, internal auditing and risk management.

Its regulation is contained in article 22 of the Corporate Statutes and in article 10 of the Board of Directors Regulations.

1. Composition

The Audit Committee should be composed of at least three but not more than five Directors, all of whom shall be non-executive, and at least the majority of whom should be Independent Directors, and one of whom should be designated in view of his or her knowledge and experience in accounting or auditing matters, or both. Its Chairman should be an Independent Director and must be substituted in this position every four years, only being able to be reelected to the post one year after leaving that position. The Secretary will be that of the Board of Directors.

As of December 31, 2016 the Audit Committee was composed of the following Directors:

Chairman: Mr. José Antonio Colomer Guiu (Independent).

Members: Ms. Adriana Casademont i Ruhí (Independent).
Mr. Andrés Jiménez Herradón (Nominee).
Ms. Catalina Miñarro Brugarolas (Independent).
Mr. Antonio Miguel-Romero de Olano (Nominee).

2. Responsibilities

The Audit Committee has the following responsibilities assigned in accordance with article 10 of the Regulations for the Board of Directors:

- a) To apprise the Annual General Meeting of matters that are the responsibility of the Committee and, in particular, regarding the results of the audit, explaining how the committee has contributed to the integrity of the financial information and role that the Committee had in said process.
- b) To supervise the efficiency of the internal control of the company, internal audit and risk management systems, as well as debate the significant weaknesses in the internal control system detected when carrying out audits with the external auditor without compromising the independence thereof. For such purpose, and where applicable, they may present recommendations or proposals to the Board of Directors and the corresponding term for the monitoring thereof
- c) To supervise the process of drawing up and presenting the mandatory financial information, and present recommendations or proposals to the Board of Directors with a view to safeguarding its integrity.
- d) To bring before the Board of Directors the proposals for the selection, appointment, re-election and substitution of the External Auditor, being accountable for the selection process as contemplated in the corresponding legislation currently in force, as well as the conditions of his/her hiring and regularly gathering from him information relating to the audit plan and its execution, as well as remaining independent in the performance of his or her functions.
- e) To establish appropriate relationships with the External Auditor in order to receive information concerning those issues which may jeopardize their independence, so that they may be examined by the Committee, and any other issues relating to the accounts auditing process, and where appropriate, authorizations for services other than those prohibited in the terms contemplated in the corresponding legislation currently in force for auditing accounts, for the regime of independence, as well as other communications envisaged in account audit legislation and auditing standards. In any case, they should receive annual written confirmation from the External Auditor of their independence from the company or companies directly or indirectly linked to it, as well as

detailed and individualized information concerning the additional services of any type rendered and those professional fees received corresponding to these companies by said External Auditor, or by the people or companies linked to them in accordance with the provisions of the accounts auditing legislation currently in force.

- f) To issue a yearly report, prior to the publication of the accounts audit report, expressing an opinion concerning whether the independence of the External Auditor has been compromised. This report, in any case, must contain the reasoned evaluation of the provision of each and every one of the additional services to which the above letter makes reference, individually considered and jointly, apart from those concerning legal audits and in relation to the independent status or with the regulatory statutes for account auditing activity.
- g) To ensure that, as far as possible, the external auditor of the Group takes responsibility for auditing all the companies belonging to it.
- h) To ensure the independence and efficacy of the internal audit; to propose the selection, appointment, reappointment and removal of its most senior management, as well as its annual budget; to receive regular information on its activities; and to check that senior management takes the conclusions and recommendations of its reports into account.
- i) To give prior notification to the Board of Directors of all matters stipulated by Law, in the Corporate Statutes or this Regulation, specifically with regard to:
 - Financial information that the company must make public periodically.
 - Creation of or acquisition of shareholdings in special purpose companies or registered in countries or territories considered to be tax havens.
 - Operations with related parties.
- j) To establish and supervise a mechanism that enables employees to communicate confidentially irregularities they notice within the Company that may be of potential importance, especially financial and accounting irregularities.

3. Operational framework

As laid down in the Board of Directors Regulations, the Audit Committee usually meets every six months, as well as holding ordinary or extraordinary meetings whenever required, attended by the Group's General Manager for Internal Audit.

During the 2016 financial year the Committee met 6 times in which the main topics addressed were as follows:

- **Information for the Annual General Meeting:**

The Chairman of the Audit Committee, together with the other members of the Committee, attended the Annual General Meeting held on March 11, 2016. The shareholders did not raise any issues which were within their competence.

- **Internal control and risk management:**

During the 2016 financial year a report was presented to the Audit Committee on the degree of compliance of actions relating to internal control which had been undertaken in previous years. In this regard, the Committee had access to the content and assessment of the internal control reports of Spanish insurance companies which, with the prior approval of their respective Boards of Directors, were presented to the General Insurance and Pension Fund Division together with the annual statistical and accounts documentation for the 2015 financial year.

With regard to the Internal Financial Information Control System (SCIIF), the Audit Committee received an Audit Report from KPMG entitled "Information relating to the System for the Internal Control over Finance Information" corresponding to 2015, which summarized the internal control procedures established by MAPFRE S.A. with regard to annual finance information.

Furthermore, with regard to the review of Risk Management and Solvency II, the Committee was informed of the most important aspects undertaken by Internal Audit within its functions as supervisor of the risk management system, which include audits relating to Solvency II and

internal control, an audit plan based on risk, a review of the information to be presented to the Risk and Compliance Committee and coordination with other insurance functions.

- **Internal Audit Supervision**

The Audit Committee approved the Annual Internal Audit Plan for the 2016 financial year for MAPFRE and its subsidiaries, which includes the Annual Report for 2015, the Audit Plan for 2016, the structure and budget for the Unit and the training plan for internal auditors.

The Audit Committee also received, reviewed and approved the Internal Audit Unit Activity Reports which are issued quarterly by the Corporate Internal Audit Area and which place special emphasis on significant issues arising during the quarter relating to the internal audit reports and internal control. These reports also include monitoring of compliance with the objectives of the Audit Plans, the implementation of the recommendations, information on auditor training and collaboration with the external auditor and other areas within the company. Detailed information was presented to the Committee on the monitoring and progress of the recommendations at the close of each quarter.

The general directives for the 2017 Internal Audit Plan were also presented and the Committee was notified of the different management appointments in the Services and Internal Audit Units during 2016, as well as the new Internal Audit structure for 2017, with the creation for MAPFRE RE of its own Internal Audit Service.

Furthermore, and in compliance with the objectives of the Internal Audit Strategy Plan which envisages undertaking "Quality Assurance" in its Audit Units and Services, the Audit Committee was informed of the completion and results of this review of the Corporate Internal Audit Area conducted by the Global Institute of Internal Auditors together with that of Spain. The objectives of these evaluations are to verify whether the Internal Audit activity matches the "International Framework for the Professional Practice of Internal Auditing", to understand how this Activity is perceived by Senior Management, Managers, members of the Audit Committee and External Auditors and to recommend improvements. The results of these evaluations were very satisfactory, concluding Internal Audit function in MAPFRE "generally complies" with that established in the International Framework for the Professional

Practice of Internal Auditing, where this is the highest rating which can be given.

Additionally, the Committee was informed regarding the following:

- Expected budget for the Internal Audit Unit for the 2016 and 2017 financial years and the forecast for 2018, 2019 and 2020.
- Global Audit Information Network 2016, market study on the internal audit function, in which the MAPFRE Corporate Internal Audit Area has once again taken part.
- Corporate Internal Audit Area 2016-2018 Strategy Plan, which was created in accordance with alignment directives with the MAPFRE S.A. Strategy Plan.

Finally, the Audit Committee and the MAPFRE S.A. Board of Directors approved the update of the Statute and Internal Audit Policy, which has now been merged into a single regulation which includes modifications to the Internal Audit structure and the organization chart among others.

- **Economic / financial information**

In accordance with its assigned responsibilities, in 2016 the MAPFRE Audit Committee verified the following documentation:

- Management Report and Individual and Consolidated Annual Accounts of MAPFRE S.A. and its dependent companies for 2015.
- Report on the limited review of intermediate, summarized, consolidated financial statements of MAPFRE S.A. corresponding to the intermediate period ending on June 30 2016.
- Information prepared by MAPFRE S.A. for investors and analysts, which is reviewed and analyzed firstly by the Corporate Audit Area and subsequently by the Audit Committee before publication

- **External auditing**

The Audit Committee approved the budget for the external audit of the Individual and Consolidated Annual Accounts of MAPFRE S.A. and its dependent companies for the 2015 financial year, together with the

payment of extraordinary fees to KPMG as a result of the deviation in hours employed in the auditing of the annual accounts corresponding to the 2015 financial year for a number of MAPFRE companies. In the same way, the Committee authorized additional services provided by KPMG in a number of MAPFRE companies and the total amount for the fees to be received for the same.

KPMG presented the 2016 annual Accounts Audit Plan to the Audit Committee, which included the work schedule, the scope of the Group Audit, the members of the work team, preliminary assessment of risks and the accounting and regulatory changes affecting the review period. KPMG also presented a Preliminary Memorandum for the 2016 Annual Accounts Audit to the Committee. These preliminary reports are issued by the audit company for all MAPFRE's subsidiary companies on the company's Intermediate Financial Statements as of September 30.

Furthermore, and with the aim of guaranteeing the independence of the external auditor, the Audit Committee undertook quarterly monitoring of the fees invoiced by the main audit company for services other than auditing Annual Accounts and supervised the relation between the fees paid to the audit company and the total revenue for the former, which according to MAPFRE S.A. Board of Directors Regulations should not exceed 5 percent.

The external auditor, KPMG, attended Audit Committee meetings for matters relating to the Annual Accounts audit, reports on the limited review as of June 30, 2016 and the preliminary reports for the Annual Accounts audit.

Furthermore, and with the aim of verifying the information and contributing to the principle of transparency in matters of Corporate Social Responsibility, the external auditor, KPMG, was responsible for verifying the Annual Report on MAPFRE's Social Responsibility corresponding to the 2015 financial year, this report was verified by the Committee. In the same way, the Committee approved the fees proposed by KPMG for issuing the report verifying the 2016 Annual Report on Corporate Social Responsibility.

- **Information to the Board of Directors**

The Audit Committee gave a favorable report to the Board of Directors on the information that MAPFRE sends to the Spanish National

Securities and Exchange Commission (the “CNMV”) every quarter. This economic-financial information is previously reviewed by the Corporate Internal Audit Area which issues a report in which it is emphasized that the MAPFRE Intermediate Financial Statements were prepared by applying the same criteria as that applied to Annual Accounts and that these criteria are reasonable, objective and verifiable, with the principle of prudence taking precedence over any other.

- **Supervision of a mechanism for notifying irregularities**

The Audit Committee was notified of the activities undertaken in 2015 by the Financial and Accounting Whistleblower Channel and approved the amendment to the Operating Regulations for this channel.

- **Other issues**

In addition to those previously described, also addressed the following issues during the 2016 financial year:

- Annual Report on the Activities of the MAPFRE Audit Committee corresponding to the 2015 financial year.
- Fiscal Policies applied in 2015, in compliance with the recommendations contained in the Tributary Good Practice Code.
- Main issues addressed and agreements reached by the Audit Committees for MAPFRE subsidiaries.
- Assessment of the composition and functioning of the Committee during the 2015 financial year in accordance with that established in recommendation no. 36 of the Good Governance Code for listed companies in the Spanish National Securities and Exchange Commission (the “CNMV”), with unanimous agreement on the qualification of its composition and functioning this year as very satisfactory.
- Operations involving significant shareholders and senior positions with representative and management roles.
- Treasury stock operations undertaken in the 2016 financial year.

Therefore, the Audit Committee has unanimously agreed to submit this report to the MAPFRE S.A. Board of Directors for them to evaluate the functioning of the Committee during the 2016 financial year based on its contents together with those of the assessment report issued by the external consultant.

Madrid, February 6, 2017
Committee Secretary

Ángel L. Dávila Bermejo



AUDIT COMMITTEE REPORT ON RELATED-PARTY TRANSACTIONS IN **2016**

Article 529 of the Spanish Corporations Act establishes that the Board of Directors shall have the non-delegable power to approve, subject to a report of the Audit Committee, transactions with related parties, where such parties include directors and shareholders with significant shareholdings. Notwithstanding, transactions of a standard nature carried out at generally applicable prices are legally exempt from this obligation if the amount does not exceed 1% of the company's annual revenue.

This article also states that, in duly justified urgent circumstances, the above decisions may be taken by delegated bodies or individuals, where such decisions must be ratified in the first meeting of the Board of Directors held after the adoption of such a decision.

In accordance with the provisions of the law, Article 2 of the Regulation of the Board of Directors of MAPFRE, S.A. includes the following competences of the Board are non-delegable:

- Authorize –subject to a report from the Audit Committee– transactions the Company or Group companies may carry out with Directors or shareholders in a conflict of interest position, in accordance with the provisions of the applicable legislation.

By virtue of the provisions of Article 8 of the Regulation of the Board of Directors, Directors must abstain from attending and taking part in deliberations and votes on decisions that affect them personally and in situations of conflicts of interest, under the terms set out in the prevailing legislation.

Moreover, the Board of Directors of MAPFRE, S.A. approved on July 23, 2015 its Policy for Managing Conflicts of Interest and Transactions Related to

Significant Shareholders and Senior Representative and Management Roles, which describes the procedure to be followed with regard to such transactions.

With respect to related-party transactions with Senior Representative and Management Roles, in 2016 the Company and companies in its Group have carried out no transactions with the same or with persons related thereto that, under the prevailing legislation, should be authorized previously by the Board of Directors.

With respect to related-party transactions with shareholders, transactions that are significant because of their amount or because of their subject matter carried out by the Company or by companies in its Group with shareholders holding a significant stake or with parties related thereto are listed in the Annual Corporate Governance Report and in the 2016 financial statements.

The following transactions are listed, in relation to which the Audit Committee issued a favorable report prior to the Board of Directors meeting:

- Transfer by MAPFRE ESPAÑA and MAPFRE INMUEBLES of 65.7% (65.5% and 0.2%, respectively) of Torre MAPFRE (Barcelona) to FUNDACIÓN MAPFRE

In its meeting of November 7, 2016, the Committee analyzed the transfer by MAPFRE ESPAÑA and MAPFRE INMUEBLES of 65.7% (65.5% and 0.2%, respectively) of the property Torre MAPFRE (Barcelona) in the amount of 175.4 million euros (174.08 and 0.6 million, respectively).

The Committee, taking into account the market valuations issued by four independent entities (two at the request of the buying party and two at the request of the selling party) decided to report favorably on the transaction to the Board of Directors.

- Acquisition by MAPFRE RE from Fundación MAPFRE of the building at Paseo de Recoletos 25 (Madrid)

In the meeting of November 7, 2016, the Committee analyzed the acquisition by MAPFRE RE from the Fundación MAPFRE of the building at Paseo de Recoletos 25 (Madrid) for 41.5 million euros, of which MAPFRE RE was the lessee and which is its headquarters.

The Committee, taking into account the market valuations issued by two independent entities (one at the request of the buying party and one at the request of the selling party) decided to report favorably on the transaction to the Board of Directors.

Both the Regulation of the Board of Directors of MAPFRE, S.A. and the text of the Policy for Managing Conflicts of Interest and Transactions Related to Significant Shareholders and Senior Representative and Management Roles are available on the corporate website (www.mapfre.com/corporativo-es/accionistas-inversores/inversores/gobierno-corporativo/).

In accordance with recommendation 6 of the Good Governance Code of Listed Companies of the Spanish National Securities and Exchange Commission (the "CNMV"), the Audit Committee of MAPFRE, S.A. authorizes this report for issue on the corporate website prior to the General Shareholders' Meeting to be held on March 10, 2017.

Madrid, February 6, 2017
Committee Secretary

Ángel L. Dávila Bermejo

PROPOSAL FOR THE REELECTION OF
MS. ADRIANA CASADEMONT I RUHÍ
AS INDEPENDENT DIRECTOR

The MAPFRE Appointments and Remuneration Committee, at the meeting held on January 31, 2017, unanimously agreed to propose to the MAPFRE S.A. Board of Directors in accordance with the provisions of article 529 decies.4 of the Capital Companies Act and article 6.2 of the Board of Directors Regulations, that the Annual General Meeting should approve the reelection of Ms. Adriana Casademont i Ruhí as Independent Director for a period of four years.

The Appointments and Remuneration Committee considers that the performance of Ms. Casademont i Ruhí as a member of the MAPFRE S.A. Board of Directors since her appointment by the Annual General Meeting of March 9, 2013 has been very appropriate in all its facets: her performance as a Director; performance in Commissions and/or Delegate Committees; the amount and quality of her work; and her engagement in the job.

Madrid, January 31, 2017
Committee Secretary

Ángel L. Dávila Bermejo

PROPOSAL FOR THE REELECTION OF
Ms. ANA ISABEL FERNÁNDEZ ÁLVAREZ
AS INDEPENDENT DIRECTOR

The MAPFRE Appointments and Remuneration Committee, at the meeting held on January 31, 2017, unanimously agreed to propose to the MAPFRE S.A. Board of Directors in accordance with the provisions of article 529 decies.4 of the Capital Companies Act and article 6.2 of the Board of Directors Regulations, that the Annual General Meeting should approve the reelection of Ms. Ana Isabel Fernández Álvarez as Independent Director for a period of four years.

The Appointments and Remuneration Committee considers that the performance of Ms. Ana Isabel Fernández Álvarez as a member of the MAPFRE S.A. Board of Directors since her appointment by the Board of Directors by the co-option procedure on July 26, 2016, has been very appropriate in all its facets: her performance as a Director; the amount and quality of her work; and her engagement in the job.

Madrid, January 31, 2017
Committee Secretary

Ángel L. Dávila Bermejo

REPORT TO THE MAPFRE S.A. BOARD OF DIRECTORS
RELATING TO THE PROPOSED REELECTION
OF Mr. FERNANDO MATA VERDEJO AS EXECUTIVE DIRECTOR

The MAPFRE Appointments and Remuneration Committee, at the meeting held on January 31, 2017, unanimously agreed to present the following report to the MAPFRE S.A. Board of Directors in accordance with the provisions of article 529 decies.6 of the Capital Companies Act and article 6.5 of the Board of Directors Regulations, with regard to the proposed reelection of Mr. Fernando Mata Verdejo as a Director of the company.

"The Appointments and Remuneration Committee considers that the performance of Mr. Fernando Mata Verdejo as a member of the MAPFRE Board of Directors since his recent appointment by co-option by the Board of Directors on 29 September 2016 (effective from January 1, 2017) has been satisfactory in all its facets: his performance as a Director; the amount and quality of his work; and his engagement in the job.

And in view of the above, the Appointments and Remuneration Committee unanimously agrees to approve the proposed ratification and reelection of Mr. Fernando Mata Verdejo as a member of the Board of Directors for a further period of four years."

Madrid, January 31, 2017
Committee Secretary

Ángel L. Dávila Bermejo

REPORT TO THE MAPFRE S.A. BOARD OF DIRECTORS
RELATING TO THE PROPOSED APPOINTMENT
OF Mr. FRANCISCO JOSÉ MARCO ORENES AS EXECUTIVE DIRECTOR

The MAPFRE Appointments and Remuneration Committee, at the meeting held on January 31, 2017, unanimously agreed to present the following report to the MAPFRE S.A. Board of Directors in accordance with the provisions of article 529 decies.6 of the Capital Companies Act and article 6.5 of the Board of Directors Regulations, with regard to the proposed appointment of Mr. Francisco José Marco Orenes as a Director of the company which the Board will propose at the next Annual General Meeting.

"The MAPFRE S.A. Appointments and Remuneration Committee has unanimously agreed to approve the proposed appointment of Mr. Francisco José Marco Orenes as a member of the MAPFRE S.A. Board of Directors with the category of Executive Director, for a period of four years."

Madrid, January 31, 2017
Committee Secretary

Ángel L. Dávila Bermejo



BOARD OF DIRECTORS REPORT ON THE PROPOSALS FOR THE APPOINTMENT, RE-ELECTION AND RATIFICATION OF DIRECTORS

Madrid, February 7, 2017

I. BACKGROUND AND JUSTIFICATION FOR THE PROPOSALS

This report was prepared by the MAPFRE S.A. Board of Directors, ("MAPFRE" or the "Company") in accordance with the provisions of article 529 paragraph 5 of the capital Companies Act. to justify the following proposals for the appointment, re-election and ratification of directors submitted to the Annual General Meeting for approval under point 4 of the agenda: (i) Ms. Adriana Casademont i Ruhí and Ms. Ana Isabel Fernández Álvarez, under the category of Independent Directors; and (ii) Mr. Fernando Mata Verdejo and Mr. Francisco José Marco Orenes, under the category of Executive Directors.

The aim of this report is to assess the competence, experience and merits of the candidates proposed for appointment, re-election and ratification to the Annual General Meeting, for which the Board of Directors have taken into consideration the suitability of the director's professional profiles, the specific nature of the business and the international character of the company. The Board of Directors has also verified that the candidates meet the requirements for prestige, suitability, solvency, competence, experience, qualifications, training, availability and commitment to their function, and that they are neither directly nor indirectly affected by any of the causes for incompatibility, prohibition or conflict of interest established by Law, the Corporate Statutes or the Regulations for the Board of Directors.

The Appointments and Remuneration Committee issued a prior report in which it values the engagement of Mr. Fernando Mata Verdejo in his position, as well as favorable report on the appointment of Mr. Francisco José Marco Orenes as an Executive Director, both of which were approved at the meeting held on January 31, 2017. At the same meeting the Committee also agreed to propose the re-election of Ms. Adriana Casademont i Ruhí and Ms. Ana Isabel Fernández Álvarez as Directors, under the category of Independent Directors.

II. PROPOSALS

MS. Adriana Casademont i Ruhí

She has a degree in Business Science from the Universidad Autónoma de Barcelona (Autonomous University of Barcelona), a diploma in Communication and Public Relations from the Universitat De Girona (Girona University) and a Master's Degree in Strategic Marketing from ESADE. She is currently President of CASADEMONT S.A., and holds a number of senior representational and management posts in companies in the agro-food sector and in educational institutions.

Ms. Casademont i Ruhí has been an Independent Director since accepting her appointment by the Annual General Meeting on March 9, 2013. Furthermore, she is currently a member of the MAPFRE Appointments and Remuneration Committee and the Audit Committee and a member of the MAPFRE ASISTENCIA Board of Directors.

In view of the proposal made by the Appointments and Remuneration Committee, the Board of Directors considers that Ms. Casademont's brilliant personal and professional performance, together with the predominance of management roles in her professional career recommend her re-election as a Director, with the category of Independent Director.

Ms. Ana Isabel Fernández Álvarez

She has a Degree and Doctorate in Economics and Business Science from the Universidad de Oviedo (Oviedo University). She was a member of the Spanish National Securities and Exchange Commission (the "CNMV") (2010-2014), the European Securities Authority (2011-2013) and the Financial Innovation and Consumer Protection Subcommittee of the European Banking, Insurance and Securities Joint Committee (2012-2014).

She is currently a member of the Advisory Committee on Corporate Reporting for the European Securities Authority, and she is member of the Board of Trustees for the Princesa de Asturias Foundation and the Banco de Sabadell Foundation. She is also a Professor of Financial Economics at the University of Oviedo and Professor of Finances at CUNEF.

Ms. Fernández Álvarez has been an Independent Director since accepting her appointment by co-option by the Board of Directors on July 26, 2016. She is also currently a member of the MAPFRE Risk and Compliance Committee and a member of the Boards of Directors of MAPFRE ASISTENCIA and MAPFRE GLOBAL RISKS.

In view of the proposal made by the Appointments and Remuneration Committee, the Board of Directors considers that Ms. Fernández Álvarez's brilliant personal and professional performance, together with her broad experience and knowledge of the banking and insurance sectors as well as the regulatory framework applicable to these sectors and to the securities markets recommend her ratification and re-election as a Director, with the category of Independent Director.

Mr. Fernando Mata Verdejo

He has a degree in Business Science from the Universidad Autónoma de Madrid (Autonomous University of Madrid). He has developed most of his professional career with MAPFRE, where he has held the positions of Internal Audit Manager for MAPFRE AMÉRICA, Financial Manager for MAPFRE PRAICO (Puerto Rico), Financial Manager for MAPFRE FAMILIAR, General Manager for the Corporate Strategy and Development Area and General Manager for the MAPFRE Risk Management Function. Since 2017 he held the position of General Manager of the MAPFRE Corporate Finance Area.



Mr. Fernando Mata Verdejo has been an Executive Director of the Company since January 1, 2017, the effective date of his appointment by co-option agreed by the Board of Directors on September 29, 2016. He is also currently a member of the Boards of Directors of MAPFRE ESPAÑA, MAPFRE VIDA and MAPFRE INTERNACIONAL.

In view of the report made by the Appointments and Remuneration Committee, the Board of Directors considers that the performance of Mr. Mata Verdejo as a member of the MAPFRE Board of Directors since his appointment by co-option by the Board of Directors has been satisfactory in all its facets: his performance as a Director; the amount and quality of his work; and his engagement in the job. In the view of the Board of Directors this, together with his broad experience and knowledge in the finance, strategy and risk management sectors justifies his ratification and re-election as a Director with the category of Executive Director.

Mr. Francisco José Marco Orenes

He has a degree in Medicine and Surgery from the University of Murcia, he is a specialist in Geriatrics from the University of Murcia and in Nutrition from the University of Granada and he has a Masters Degree in Company Administration from the IDAE. He has spent most of his professional career at MAPFRE where he has held the positions of Executive Vice Chairman of MAPFRE ESPAÑA (2013-2014), Chairman of MAPFRE EMPRESAS (2012-2014), Vice Chairman-Managing Director of MAPFRE FAMILIAR (2008-2013) and Executive Chairman of MAPFRE PERU. He has also been Chairman of the UNESPA Automobile Insurance Commission (2009-2014) and Chairman of the Spanish Chamber of Commerce in Peru. Since 2015 he has held the position of General Manager of the MAPFRE Corporate Business Support Area. He is also current the Chairman of FUNESPAÑA, a member of the MAPFRE INTERNACIONAL Board of Directors and a Trustee of Fundación MAPFRE.

The Board of Directors considers that the brilliant personal and professional performance of Mr. Marco Orenes, who has broad experience and knowledge of the insurance industry and the technology sector, make him an appropriate candidate for this position.

BOARD OF DIRECTORS REPORT ON THE PROPOSALS FOR THE AMENDMENT OF
THE CORPORATE STATUTES RELATING TO THE: NEW DENOMINATION OF
SECTIONS 2 AND 4 OF CHAPTER 6 OF TITLE III AND THE AMENDMENT OF ARTICLES
22 AND 24

Madrid, February 7, 2017

I. BACKGROUND AND JUSTIFICATION FOR THE PROPOSALS

This report was prepared by the MAPFRE S.A. Board of Directors. ("**MAPFRE**"), in compliance with the provisions of article 286 of the Consolidated Text for the Capital Companies Act with regard to the proposals for the (i) new denomination of Sections 2 and 4 of Chapter 6 of Title III; and the (ii) amendment of articles 22 and 24 of MAPFRE's Corporate Statutes relating to the regulation of the Audit Committee and the Risk and Compliance Committee, respectively.

The MAPFRE Board of Directors feels it is appropriate that powers in matters of compliance should be attributed to the Audit Committee, and therefore that the current Risk and Compliance Committee should only address matters concerning risk management,

This new configuration will make the Risk and Compliance Committee, which will now be called the Risk Committee, more effective as it will be exclusively enabled to address questions in matters of risk management and therefore to do so with greater depth.

Furthermore, following the example of a large number of IBEX 35 companies, responsibility in matters of compliance will be assigned to the Audit Committee, which will now be called the Audit and Compliance Committee.

In this context, and notwithstanding minor adjustments to the wording or adaptations, the following amendments are proposed:

- Assigning the powers of the Risk and Compliance Committee in matters of compliance and corporate governance to the Audit Committee.
- To change the name of the Risk and Compliance Committee to that of Risk Committee.
- To change the name of the Audit Committee to that of Audit and Compliance Committee.

II. AGREEMENTS PROPOSED

- To change the title "Section 2. Audit Committee" in the Corporate Statutes to that of "Section 2. Audit and Compliance Committee".
- To amend Article 22 of the Corporate Statutes which will be worded as follows:

The Audit and Compliance Committee will comprise at least three but not more than five Directors, all of whom shall be non-executive, and at least the majority of whom must be Independent Directors, and one of whom will be designated in view of his or her knowledge and experience in matters

of accountancy, auditing or both. Overall, the members of the Committee should have the pertinent technical knowledge in relation to the Company's sector of activity. Its Chairman shall be an Independent Director and they must be substituted in this position every four years, only to be reelected to the post one year after leaving that position. The Secretary will be that of the Board of Directors, and a Vice Secretary may be appointed, a position that need not be filled by a Director.

This Committee will have the following responsibilities:

- a) To apprise the Annual General Meeting of matters that are the responsibility of the Committee and, in particular, regarding the results of the audit, explaining how the committee has contributed to the integrity of the financial information and role that the Committee had in said process.*
- b) To supervise the efficiency of the internal control of the company, internal audit and risk management systems, as well as debate the significant weaknesses in the internal control system detected when carrying out audits with the external auditor without compromising the independence thereof. For such purpose, and as the case may be, they may present recommendations or proposals to the Board of Directors and the corresponding term for the tracking thereof.*
- c) To supervise the process of drawing up and presenting the mandatory financial information, and present recommendations or proposals to the Board of Directors with a view to safeguarding its integrity.*
- d) To bring before the Board of Directors the proposals for the selection, appointment, re-election and substitution of the External Auditor, being accountable for the selection process as contemplated in the corresponding legislation currently in force, as well as the conditions of his/her hiring and regularly gathering from him information relating to the audit plan and its execution, as well as remaining independent in the performance of his or her functions.*
- e) To establish appropriate relationships with the External Auditor in order to receive information concerning those issues which may jeopardize their independence, so that they may be examined by the Committee, and any other issues related to the accounts auditing process, and, whenever pertinent, authorizations of services other than the ones prohibited in the terms contemplated in the pertinent legislation in force for auditing accounts, regarding regulations concerning independence, and all other communications as stipulated under account auditing legislation and auditing standards. In any case, they must receive annual written confirmation from the External Auditor of their independence from the company or companies directly or indirectly linked to it, as well as the detailed*

and individualized information concerning the additional services of any type rendered and those professional fees received corresponding to these companies by said External Auditor, or by the people or companies linked to them in accordance with the provisions of the accounts auditing legislation in force.

- f) To issue a yearly report, prior to the publication of the accounts audit report, expressing an opinion concerning whether the independence of the External Auditor has been compromised. This report, in any case, must contain the reasoned evaluation of the provision of each and every one of the additional services to which the above letter makes reference, individually considered and jointly, apart from those concerning legal audits and in relation to the independent status or with the regulatory statutes for account auditing activity.*
 - g) To report in advance to the Board of Directors regarding all issues covered by Law, in these Articles and in the Rules of the Board of Directors, and in particular about the financial information that the Company must make public periodically, about the creation or acquisition of shares in special purpose companies or with their registered address in countries or regions that are considered to be tax havens, and regarding transactions with linked parties.*
 - h) To verify the application of the established good governance regulations at all times.*
 - i) To supervise compliance with internal and external regulations, especially with internal codes of conduct, regulations and procedures for the prevention of money laundering and financing terrorism, as well as making proposals for their improvement.*
 - j) To supervise the adoption of actions and measures resulting from inspection reports or actions taken by administrative supervision and control authorities.*
 - k) Any other responsibilities which may be assigned by the Board of Directors or attributed to it in the Regulations of the said body.*
- To change the title "Section 4. Risk and Compliance Committee" in the Corporate Statutes to that of "Section 4. Risk Committee".
 - To amend Article 24 of the Corporate Statutes by removing paragraphs d), e) and f), which will now be worded as follows:

The Risk Committee will consist of at least three, but no more than five members, all of them non-executive. The Board of Directors will appoint a Chairman and a Secretary for the Committee, as well as a Vice Secretary where appropriate, these positions do not need to be filled by a Director.

This Committee will have the following responsibilities:

- a) To support and advise the Board of Directors in the definition and evaluation of the Group's risk policies and in the determination of susceptibility to risk and risk strategy.*
- b) To assist the Board of Directors in overseeing the application of the risk strategy.*
- c) To be familiar with and value the methods and tools for risk management, monitoring the models applied regarding results and validation.*
- d) Any other responsibilities which may be assigned by the Board of Directors or attributed to it in the Regulations of the said body.*

REPORT TO THE ANNUAL GENERAL MEETING ON AMENDMENTS
TO REGULATIONS FOR THE
MAPFRE S.A. BOARD OF DIRECTORS. APPROVED SINCE
THE LAST ANNUAL GENERAL MEETING OF SHAREHOLDERS

Since the last Annual General Meeting took place on March 11, 2016 the MAPFRE S.A. Board of Directors agreed on April 30, 2016 to amend article 10 of the Regulations for the said body, regulating the Audit Committee, in order to adapt its content to the new text in article 529 quaterdecies of the Capital Companies Act, following its amendment by Law 22/2015 of July 20 regarding Account Auditing.

Furthermore, the MAPFRE Board of Directors agreed, in the meeting which took place on February 7, 2017, to amend, with effect on March 10, 2017, articles 10 and 12 of the Regulations for the said body, regulating the Audit Committee and the Risk and Compliance Committee respectively, in order to adapt their content to the new text in the Corporate Statutes to be proposed to the Ordinary Annual General Meeting on March 10, 2017; this amendment is logically conditioned to the Annual General Meeting adopting the statutory amendment.

The above amendments have been notified to the Spanish National Securities and Exchange Commission (the “CNMV”) as a significant fact and the full text of the Regulations for the Board of Directors currently in force is available on the company's website (www.mapfre.com).



BOARD OF DIRECTORS REPORT ON THE PROPOSAL FOR THE AMENDMENT OF
ARTICLE 15 OF REGULATIONS FOR THE ANNUAL GENERAL MEETING

Madrid, February 7, 2017



I. BACKGROUND AND JUSTIFICATION FOR THE PROPOSAL

The MAPFRE S.A. Board of Directors. ("**MAPFRE**") proposed to the Annual General Meeting, in point 5 of the agenda, an amendment to the name and regulation of the Audit and Risk and Compliance Committees envisaged in MAPFRE's Corporate Statutes. Among others. It was proposed to change the name of the Audit Committee to that of Audit and Compliance Committee.

In accordance with the proposed amendment to the Corporate Statutes, it is considered necessary to amend article 15 of the Regulations for the MAPFRE Annual General Meeting by changing the name of the Audit Committee to that of Audit and Compliance Committee.

II. AGREEMENT PROPOSED

- To amend Article 15 of the Regulations for the Annual General Meeting which will be worded as follows:

"Article 15. Presence at the Meeting of the Risk and Compliance Committee"

The Chairman of the Audit and Compliance Committee, or in his absence, another of its members, should report to the Annual General Meeting on matters there presented by the shareholders in matters which are the responsibility of the said Committee."



REPORT OF THE APPOINTMENTS AND REMUNERATION COMMITTEE
TO THE MAPFRE S.A. BOARD OF DIRECTORS
WITH REGARD TO ITS COMPOSITION AND FUNCTIONS IN THE 2016
FISCAL YEAR

The Appointments and Remuneration Committee is the delegate body of the Board of Directors for undertaking the functions of appointment, termination and reelection of Directors and Senior Managers for MAPFRE S.A. and its Group, and for establishing remuneration.

Its regulation is contained in article 23 of the Corporate Statutes and in article 11 of the Board of Directors Regulations.

1. Composition

The Appointments and Remuneration Committee should consist of a minimum of three and a maximum of five Directors, all non-executive and at least two of whom should be Independent Directors. The Chairman should have the condition of Independent Director and the Secretary is that of the Board of Directors.

As of December 31, 2016 the Appointments and Remuneration Committee was composed of the following Directors:

Chairman: Ms. Catalina Miñarro Brugarolas (Independent).

Members: Ms. Adriana Casademont i Ruhí (Independent).
Mr. Luis Hernando de Larramendi Martínez (Nominee)
Alfonso Rebuelta Badías (Nominee)

2. Responsibilities

The Appointments and Remuneration Committee has the following responsibilities assigned in accordance with article 11 of the Regulations for the Board of Directors:

- a) To evaluate the skills, knowledge and experience required on the Board of Directors, defining the functions and capabilities required of the candidates to fill each vacancy accordingly, and assessing the time and engagement necessary for them to perform their duties effectively.
- b) To establish a representation objective for the gender least represented on the Board of Directors and to draw up guidelines on how to achieve this objective.
- c) To bring before the Board of Directors the appointment proposals of Independent Directors for them to be designated by cooptation or for them to be subject to the decision of the Annual General Meeting, as well as proposals for reappointment or separation, and to report on cases related to proposals that affect the remaining Directors.
- d) To notify proposals for the appointment and termination of Senior Managers and their basic contractual conditions.
- e) To examine and organize the succession of the Chairman of the Board, and where appropriate, to make the corresponding proposals to the Board so that this succession is orderly, well-planned.
- f) To propose to the Board of Directors the remuneration policy of Directors and General Managers or anyone who performs senior management duties under the direct control of the Board, the Steering Committee or the Managing Directors, as well as individual remuneration and other conditions of the contracts of Executive Directors, ensuring their enforcement.
- g) To propose to the Board of Directors the candidates for the appointment of the Fundación MAPFRE Trustees whose appointment is the responsibility of the Company.
- h) To authorize the appointment of External Director for the remaining companies in the Group.

3. Operational framework

As laid down in the Board of Directors Regulations, the Appointments and Remuneration Committee meets whenever necessary in order to perform its functions appropriately, and to this effect the Senior Manager supervising the Human Resources Division will be in attendance.

During the 2016 financial year the Committee met 6 times in which the main topics addressed were as follows:

- **Appointment and reelection of directors:**

In compliance with Director Selection Policy and the Board Renewal Plan approved in 2015, the Appointments and Remuneration Committee completed the selection processes and made proposals to the Board of Directors for the appointment of two new Independent Directors and the reelection of one Independent Director, and reported to the Board of Directors with regard to proposals for the reelection of two Executive Directors and the appointment by co-optation of one Executive Director.

To this effect, the Appointments and Remuneration Committee contributed to the analysis of the requirements of the company and those of the Group and to the assessment of prestige and suitability, avoiding at all times any implicit bias which may imply discrimination, especially with regard to the selection of candidates or one gender or the other.

In each case the Committee assessed the personal and professional qualities of the candidates and took into account the need for a plurality of profiles on the Board to enable suitable balance and diversity in training, experience, gender and nationality.

Furthermore, and in accordance with the provisions established in the regulations currently in force, the Appointments and Remuneration Committee analyzed the suitability of the members of the Board of Directors to be a part of said body, assessing the existence of circumstances that may affect their personal and professional prestige.

In particular, in matters of gender diversity the policy establishes that by 2020 the number of female directors should represent at least 30 percent of the total members of the Board of Directors, having already reached 26.7 percent as of January 1, 2017.

- **Assessment of the Chairman of the Board:**

The Appointments and Remuneration Committee made an evaluation of the Chairmen of the Boards of Directors for MAPFRE S.A. as well as for the main companies in the MAPFRE Group.

After appropriate analysis, the Appointments and Remuneration Committee considered the performance of the Chairman of the Board of MAPFRE S.A. to be very satisfactory, both in this position and as the most senior management representative for the Group, in all its facets: compliance with the main institutional principles laid down in the regulations for good governance; performance in the senior institutional representation functions of the company and management of the activities of the Board of Directors and delegate bodies, inherent in the position of Chairman; and performance in the executive senior management of the Group's activities.

- **Remuneration to Directors:**

In compliance with its assigned responsibilities, the Appointments and Remuneration Committee proposed to the Board of Directors, for submission to the Annual General Meeting, the Compensation Policy applicable to Directors for the 2016-2018 three-year period, which regulates remuneration for Directors both in their condition as such and where appropriate, for the exercise of executive functions. This policy is designed to promote the creation of value, profitability and sustainability in the long term, and is based on the principles of reasonable proportionality with Society's economic situation and with the market standards for comparable companies in terms of suitable and effective risk management, attraction and retention of talent, suitable balance between fixed and variable components and avoidance of conflicts of interest. To these effects, with regard to the remuneration of Executive Directors, the Compensation Policy includes mechanisms for the

deferred payment of accrued variable remuneration, as well as for decrease (*malus clause*) and recovery (*clawback clause*) of the same, and the possibility for part of variable remuneration to be paid in shares.

The above-mentioned Compensation Policy was approved by the Annual General Meeting held on March 11, 2016.

Furthermore, in compliance with the said responsibilities and within the framework of the said Policy, the Appointments and Remuneration Committee made a proposal for the remuneration of Directors in their condition as such, and the contract conditions, including remuneration, for Executive Directors corresponding to the 2016 financial year, for their approval by the Board of Directors.

- **Annual Report on Director Remuneration:**

The Appointments and Remuneration Committee issued a favorable report for the Annual Report on Director Remuneration corresponding to the 2015 financial year, for its submission by the Board of Directors to the Annual General Meeting, and which was approved at the meeting on March 11, 2016.

- **Senior Management Appointments:**

The Appointments and Remuneration Committee analyzed the proposals for appointments and dismissals for MAPFRE S.A. and MAPFRE Group Senior Management, issuing a report on the same to be submitted for approval by the MAPFRE Group administrative bodies corresponding to each case.

- **Contract conditions for members of Senior Management:**

The Committee analyzed, and presented to the Board of Directors, the proposals for the applicable contract conditions, including fixed and variable remuneration, corresponding to the 2016 financial year for members of Senior Management in the MAPFRE Group, in the terms provided for in the MAPFRE Group Compensation Policy.

In view of the above, the Appointments and Remuneration Committee unanimously agreed to submit this report for the MAPFRE S.A. Board of Directors, on the basis of the same as well as on the assessment report issued by an external consultant whose independence was verified by the Committee before being appointed, to assess the Committee's activities in 2016.

Madrid, January 31, 2017
Committee Secretary

Ángel L. Dávila Bermejo

ANNEX 1

ANNUAL REPORT ON THE REMUNERATION OF DIRECTORS OF PUBLICLY TRADED COMPANIES

ISSUER'S IDENTITY DATA

END DATE OF THE REFERENCE FINANCIAL YEAR 12/31/2016

Tax ID A08055741

COMPANY NAME

MAPFRE S.A.

REGISTERED OFFICE

MAJADAHONDA (MADRID), No. 52 CARRETERA DE POZUELO

ANNUAL REPORT ON THE REMUNERATION OF DIRECTORS OF PUBLICLY TRADED COMPANIES

A COMPENSATION POLICY OF THE COMPANY FOR THE CURRENT YEAR

A.1 Explain the company's compensation policy. In this section include information on:

- General principles underpinning the compensation policy.
- The most significant changes made to the compensation policy compared with the one applied during the previous financial year, as well as any modifications made during the year to the terms and conditions for exercising previously granted options.
- Criteria used and the composition of the groups of comparable companies whose compensation policies were examined to establish this company's compensation policy.
- Relative weight of variable remuneration compared with fixed remuneration items and the criteria followed to determine the different components of the remuneration package (remuneration mix) for directors.

Explain the compensation policy

i) General principles

The remuneration of directors is determined in accordance with the provisions of regulations applicable to corporations, the corporate bylaws of the Board of Directors, and the decisions adopted by the Annual General Meeting.

Acting on the recommendation of the Board of Directors, the Annual General Meeting of March 11, 2016 approved the compensation policy for directors for the period 2016-2018. The general principles underpinning this policy are as follows:

- Priority of the creation of value and profitability in the medium and long term over short-term results.
- Reasonable proportion between the company's economic situation and the market standards of comparable companies.
- Alignment with the commercial and risk management strategy, risk profile, objectives, and risk management practices.
- Appropriate and efficient risk management within the established risk tolerance limits.
- Attraction and retention of talent.
- Appropriate compensation for dedication, qualification and responsibility.
- Appropriate proportion of fixed and variable components, avoiding excessive reliance on variable components.
- Deferred payment of a significant portion of the variable remuneration.
- Possibility of ex-post adjustments to the variable remuneration.
- Avoidance of conflicts of interest.

Based on these principles, the remuneration system for directors, in their status as such, is defined by the following characteristics:

- Transparency in reporting the remuneration of directors.

- It provides an incentive to reward dedication, qualifications and responsibility, without constituting an obstacle to the duty of loyalty.

- It consists of a fixed amount for membership of the Board of Directors and, where applicable, of the Steering Committee and sub-steering committees, which may be higher for people with positions on the Board or who chair the sub-steering committees. This remuneration may be supplemented with other non-monetary compensation (life or medical insurance, discounts on products sold by companies in the MAPFRE Group, etc.) that have been established for the company staff in general.

- It does not include variable components or those indexed to share value.

- Directors are reimbursed for traveling expenses and other costs incurred to attend company meetings or carry out their functions.

The remuneration system for directors who carry out executive functions within the company is based on the following criteria:

- The remuneration for performing executive functions is determined according to those functions, levels of responsibility and professional profile, in accordance with the criteria governing the remuneration of MAPFRE Group senior executives.

- This remuneration consists of a balanced and efficient relationship between fixed and variable components, with fixed components forming a sufficiently high proportion of total remuneration.

- Executive directors may not receive the remuneration assigned to the directors in their status as such.

- The remuneration of executive directors is designed with a view to the medium and long term, which drives their performance in strategic terms while encouraging them to achieve short-term results.

- The remuneration system is compatible with appropriate and effective risk management, with the business strategy and with the long-term values and interests of the company, without variable remuneration compromising the company's capacity to maintain an adequate capital base.

- It takes into account market trends and its position in the market reflects the strategic approach of the company, being effective for attracting and retaining the best professionals.

- It guarantees equality for all MAPFRE professionals, regardless of gender, race or ideology.

The compensation policy is therefore aimed at creating value for the company, seeking alignment with the interests of shareholders, with prudent risk management and strict compliance with current regulations regarding the remuneration of directors of publicly traded companies.

ii) The most significant changes made:

As indicated above, the Annual General Meeting of March 11, 2016 approved the compensation policy for directors for the period 2016-2018. This policy takes into account the legal requirements governing remuneration as set out in the Spanish Corporations Act and Delegated Regulation 2015/35 of the European Commission which supplements Directive 2009/138 on taking up and pursuing the business of insurance and reinsurance (Solvency II), as well as the recommendations on this matter included in the Good Governance Code for publicly traded companies.

Among other matters, it includes mechanisms for deferring the payment of accrued remuneration as well as reduction (malus) and recovery (clawback) clauses, as described in this report, and the option of paying part of the variable remuneration in shares.

iii) Criteria used to establish the company's compensation policy and remuneration mix:

With regard to the criteria followed to determine the different components in the remuneration package for directors, in the case of external directors the aim is compensate them in accordance with their professional experience, dedication to the position and the responsibility involved, while ensuring that their objectivity in the defense of company interests is not affected by the remuneration received.

For executive directors, as with the rest of the Group's senior executives, the aim is to provide competitive remuneration packages that will attract and retain outstanding professionals while establishing and sustaining a stable relationship between remuneration, results and accepted risk (this risk therefore constitutes a determining factor of the variable remuneration in the medium term).

Accordingly, executive directors have an annual ordinary variable remuneration system (linked in certain cases to the company's net consolidated profit and in other cases to the same indicator and others related to their respective responsibilities), as well as variable multi-year incentives (described in section A.4 of this report) linked to achieving both corporate and specific objectives.

In 2015 the Appointments and Remuneration Committee carried out a comparative study on the remuneration of members of the Boards of Directors of IBEX 35 companies, and the results and conclusions of these studies were taken into account in designing the compensation policy that was put before the Board of Directors at the Annual General Meeting.

A.2 Information on preparatory work and the decision-making process followed to determine the compensation policy and the role played, where applicable, by the Remuneration Committee and other control bodies in determining the compensation policy. Where applicable, include the mandate and composition of the Remuneration Committee and the identity of the external consultants whose services were used to define the compensation policy. In addition, specify the nature of any directors who played a role in defining the compensation policy.

Explain the process for determining the compensation policy

MAPFRE is aware of the importance of having a corporate governance system to steer the structure and operations of its management bodies in the interests of the company and its shareholders.

The MAPFRE Board of Directors has implemented regulations which take into account the principles and elements of the corporate governance system and comprise the internal regulations and operations of the Board, the Steering Committee and the Sub-Steering Committees, as well as the rights and duties of the directors in carrying out their functions.

In order to comply with the legal requirements for remuneration of directors and continue adapting to corporate governance best practices regarding remuneration, the Regulations of the Board of Directors govern the functions related to remuneration of the Board of Directors and the Appointments and Remuneration Committee.

Accordingly, the MAPFRE Board of Directors carries out the following functions:

- Decisions regarding the remuneration of directors, within the statutory framework and, as applicable, the compensation policy approved by the general meeting.
- Approval of the terms and conditions of the contracts of the managing director and directors who perform executive functions.
- Definition of the remuneration of directors who perform executive functions.

The MAPFRE corporate governance system is designed to ensure that the recommendations regarding remuneration that are submitted to the company's Board of Directors originate in the Appointments and Remuneration Committee, which analyzes them previously in consultation with the different internal services and external experts when necessary. The committee is also assisted by the company's senior executive who oversees the Human Resources Division.

In accordance with Article 11 of the MAPFRE Regulations of the Board of Directors, the Appointments and Remuneration Committee recommends to the Board of Directors the compensation policy for directors, for general managers and for those who perform senior management functions and report directly to the Board, the Steering Committee or the managing directors, as well as individual remuneration and the other terms and conditions of the executive directors' contracts, ensuring their observance.

To exercise the aforementioned responsibilities, the committee must consult the Chairperson of the Board and must consider his/her recommendations on issues related to executive directors and senior executives.

In accordance with the Regulations of the Board of Directors, and with the provisions of the legislation in force, the Appointments and Remuneration Committee must consist of a minimum of three and a maximum of five directors, all non-executive, and at least two of whom must be independent. This committee must also be chaired by an independent director.

The committee meets whenever necessary to ensure the correct exercise of its functions and responsibilities, and six meetings were held in 2016.

At the time this report was prepared its members were as follows:

Chairperson: Catalina Miñarro Brugarolas (independent)
Member: Adriana Casademont i Ruhí (independent)
Member: Luis Hernando de Larramendi Martínez (nominee)
Member: Alfonso Rebuelta Badías (nominee)

A.3 Indicate the amount and nature of the fixed components, with a breakdown where applicable of the remuneration for senior management functions by executive board members, of additional remuneration for the chair or members of a Board committee, subsistence allowances for attending Board and committee meetings, any other fixed remuneration for directors, and an estimate of the final annual fixed remuneration. Identify other benefits which are not paid in cash and the basic parameters for which they are granted.

Explain the fixed components of the remuneration

As indicated in Section A.1, the company has a remuneration system which differentiates between external directors and executive directors. The components of their differentiated remuneration are explained below.

A) Fixed remuneration for external directors

External directors receive a fixed amount for their membership of the Board of Directors as basic remuneration and, where applicable, for membership of the Steering Committee and Sub-Steering Committees, which may be higher for people who occupy positions on the Board itself or who chair any of the Board committees or sub-committees. This remuneration may be supplemented with other non-monetary compensation as established for the company staff in general.

(i) Fixed amount

As indicated in the Section A.1 above, the basic remuneration of external directors consists of an annual fixed amount for their membership of the Board of Directors and, where applicable, for membership of the Steering Committee and Sub-Steering Committees. For 2017 these amounts are as follows:

- Membership of the Board of Directors: 110,000 euros
- Vice Chairperson of the Board of Directors – Supervising Director: 110,000 euros
- Membership of the Steering Committee: 20,000 euros
- Chairperson of the Audit Committee: 55,000 euros
- Members of the Audit Committee: 35,000 euros
- Chairperson of the Appointments and Remuneration Committee: 55,000 euros
- Members of the Appointments and Remuneration Committee: 35,000 euros
- Chairperson of the Risk and Compliance Committee: 55,000 euros
- Members of the Risk and Compliance Committee: 35,000 euros

(ii) Life insurance and other non-monetary benefits

External directors have life insurance with an insured capital of 150,253 euros in case of death, and other benefits such as discounts on products sold by MAPFRE Group companies in line with those established for the company staff in general.

(iii) Amounts for membership of the Board of Directors of subsidiary companies

External directors who are members of the Board of Directors of subsidiary companies also receive a fixed amount for this membership and, as applicable, for membership of their Management Committees.

These amounts vary depending on the size and geographic location of the subsidiary company. For 2017 these amounts are as follows:

- Chairperson of the Board of Directors of insurance companies in Spain: 100,000 euros
- Membership of the Board of Directors of insurance companies in Spain: 45,000 euros
- Members of the Management Committees of insurance companies in Spain: 8,000 euros
- Chairperson of the Board of Directors of subsidiary companies overseas: \$30,000 - \$100,000
- Membership of the Board of Directors of subsidiary companies overseas: \$18,000 - \$70,000

B) Fixed remuneration of executive directors

(i) Fixed remuneration

Executive directors do not receive the fixed amount established for external directors.

The fixed remuneration for performing their executive functions is determined in line with the policy established for the remuneration of MAPFRE senior executives, and in accordance with the stipulations of their respective contracts.

For 2017 the fixed salary remuneration of the four executive directors is 2,669,534 euros, corresponding entirely to the company.

(ii) Life insurance and other benefits

Executive directors are entitled to the allowances or social benefits established for members of senior management as well as those established for company staff in general, as stipulated in the collective bargaining agreement signed by MAPFRE.

The social benefits for executive directors include a supplementary insurance policy with an insured capital in case of death or permanent disability equivalent to twice the annual fixed remuneration, plus 1 percent for each year of service and another 20 percent for each child under 25 years of age or unable to work, with a clause for double capital in case of accidental death. They also receive additional benefits such as discounts on products sold by MAPFRE Group companies.

A.4 Explain the amount, nature and main characteristics of the variable components of the remuneration systems.

In particular:

- Identify each of the remuneration systems of which the directors are beneficiaries, their scope, approval date, implementation date, effective period and their main characteristics. In the case of share option plans and other financial instruments, the general characteristics of the plan should include information on the terms and conditions for exercising the options or financial instruments of each plan.
- Indicate any remuneration for profit sharing or premium schemes and the reason they were granted.
- Explain the main parameters and principles of any annual bonus system.
- The classes of directors (executive directors, nominee external directors, independent external directors and other external directors) who are beneficiaries of remuneration systems or plans which include a variable remuneration.
- The principles underpinning those variable remuneration systems or plans, the performance evaluation criteria adopted, the evaluation components and methods for determining whether the evaluation criteria have been met, and an estimate of the absolute amount of variable remuneration which the current remuneration plan would generate based on the level of compliance with the benchmark assumptions or objectives.
- If applicable, include information on the established deferral or postponement periods for payment and/or the retention periods for any shares or other financial instruments.

Explain the variable components of the remuneration systems
--

As indicated in section A.1 above, only executive directors receive variable remuneration, of which there are three types:

(i) Short-term variable remuneration

The Group's executive directors belong to the group of senior executives who have an ordinary variable remuneration system linked to the net consolidated profit of the company and, where applicable, to other indicators related to their respective responsibilities. This remuneration is always paid in cash.

For 2017 the maximum total of this short-term variable remuneration is 2,117,153 euros, corresponding entirely to the company.

The ordinary variable remuneration is approved annually by the Board of Directors following a report from the Appointments and Remuneration Committee, which at the end of the year also assesses the degree to which the company's profit objectives have been reached.

(ii) Medium-term variable remuneration

In 2013, as recommended by the Appointments and Remuneration Committee, the Board of Directors of MAPFRE S.A. approved an extraordinary medium-term incentive plan for executive directors in their status as senior managers. Non-cumulative and multi-year, this plan ran from January 1, 2013 to March 31, 2016.

The amount derived from this plan depends in general on each beneficiary fulfilling certain corporate and specific objectives and (except for special cases of severance expressly established), remaining in the Group's employment until the termination date of the plan. This incentive is always paid in cash.

The quantification of the incentive to be paid depends on the degree of fulfillment of the objectives that have been established in line with the Group's strategic plan. The metrics for assessing the corporate objectives are indexed to the RAROC (risk adjusted return on capital) and specific individual objectives.

The rules for calculating the incentive are as follows:

- The fulfillment of the objectives weighted as a whole must reach an average of 60 percent, otherwise there is no entitlement to receive the incentive.
- If the fulfillment of objectives is between 60 percent and 80 percent, 60 percent of the incentive will be paid.

- If the fulfillment of objectives is between 80 percent and 100 percent, the same proportion of the incentive will be paid.

- If the fulfillment of objectives exceeds 100 percent, with an upper limit of 150 percent, the incentive paid will be proportional to the fulfillment of 100 percent of the objectives, plus a multiplication coefficient of 2 on the surplus fulfillment above 100 percent.

In 2016 the amount paid for this item was 4,716,000 euros, of which 3,696,000 euros corresponded to the company and 1,020,000 euros to the other Group companies.

On February 9, 2016 the Board of Directors, acting on the recommendation of the Appointments and Remuneration Committee, approved a new extraordinary medium-term incentive plan for executive directors in their status as senior managers. Non-cumulative and multi-year, this plan runs from January 1, 2016 to March 31, 2019.

The amount derived from this plan depends in general on each beneficiary fulfilling certain corporate and specific objectives and (except for special cases of severance expressly established), remaining in the Group's employment or maintaining a business relationship with the Group until the termination date of the plan. The incentive will partly be paid in cash and partly by means of MAPFRE S.A. shares. The receipt of 60 percent of the incentive by each executive director will be deferred for a period of three years, in thirds, with 50 percent of the deferred part paid in cash and the remaining 50 percent in shares. The incentive will also be subject to clauses of reduction (malus) or recovery (clawback).

The quantification of the incentive to be paid depends on the degree of fulfillment of the objectives that have been established in line with the Group's strategic plan. The metrics for assessing the corporate objectives are indexed to the total shareholder return (TSR) and the ROE (return on equity) and to specific individual objectives related to the metrics and financial indicators of the MAPFRE Group balanced scorecard, technical ratios (expense ratio, net combined net ratio, etc.) and the return on written premiums.

The rules for calculating the incentive are as follows:

- The fulfillment of the objectives weighted as a whole must reach an average of 50 percent, otherwise there is no entitlement to receive the incentive.

- If the fulfillment of objectives is between 50 percent and 80 percent, 60 percent of the incentive will be paid.

- If the fulfillment of objectives is between 80 percent and 100 percent, the same proportion of the incentive will be paid.

- If the fulfillment of objectives exceeds 100 percent, with an upper limit of 150 percent, the incentive paid will be proportional to the fulfillment of 100 percent of the objectives, plus a multiplication coefficient of 2 on the surplus fulfillment above 100 percent.

The compensation policy for directors for the period 2016-2018 that was approved by the Annual General Meeting includes the maximum number of shares that may be distributed for this purpose.

If the benchmark assumptions and parameters governing this remuneration behave as projected at the close of 2016, the amount of the remuneration at the end of the period is estimated at 2,466,667 euros in cash and 1,135,145 MAPFRE S.A. shares, corresponding entirely to the company.

(iii) Incentives indexed to share value

The executive directors were beneficiaries of an incentive plan indexed to share value for Group executives, approved by the extraordinary general meeting held on July 4, 2007. The main characteristics of this plan are described below:

Formula: Each participant is entitled to receive in cash the amount equivalent to the result of multiplying the number of MAPFRE S.A. shares assigned theoretically by the difference between the simple arithmetical mean of the closing quote on the trading sessions of the 30 workdays preceding the notification date of the exercise and the simple arithmetical mean of the closing quote on the trading sessions corresponding to the 30 workdays immediately preceding the date of inclusion in the plan. In the initial group of participants, this benchmark was fixed at the closing quote on December 31, 2006, which was 3.42 euros per share.

Exercise of the right. The right is exercisable on the following dates:

- A maximum of 30 percent during the month of January of the fourth year following the date of the director's inclusion in the plan.

- A maximum of 30 percent during the month of January of the seventh year following the date of the director's inclusion in the plan.

- The remaining percentage during the month of January of the tenth year following the date of the director's inclusion in the plan. The deadline for exercising all rights granted was the last day of the third period above, i.e. January 2017. The number of indexed shares is 1,681,286 and the benchmark quote is 3.42 euros per share. At the close of the year the share price was below this benchmark quote.

This plan received a favorable report from the Appointments and Remuneration Committee, which met on May 23, 2007, and from the company's Board of Directors, which met on June 1, 2007. There has been ample information about the plan on the company's website as well as the website of the Spanish National Securities and Exchange Commission (the "CNMV").

Since the quote of the MAPFRE S.A. share was below the benchmark quote on the last date established for exercising the right, no payments have been made in relation to the plan and it has therefore expired.

A.5 Explain the main characteristics of the long-term saving systems, including retirement and any other longevity benefits, which are partly or totally financed by the company, whether arranged internally or externally. Estimate their annual equivalent amount or cost, indicating the type of plan, whether it is defined-contribution or defined-benefit, the vesting conditions for directors and its compatibility with any type of compensation for early termination or the conclusion of the contractual relationship between the company and the director.

In addition, indicate the contributions on behalf of the director to defined-contribution pension plans, or the increase of cumulative rights for the director in the case of contributions to defined-benefit plans.

Explain the long-term savings systems

Under the provisions of their previous employment contracts, executive directors, like other company employees, are beneficiaries of the MAPFRE Employment System Pension Plan. Additionally, executive directors are entitled to specific contribution pension agreements in the event of retirement, death or permanent disability, which are externalized through group life insurance. All of this is included in the compensation policy established for the senior executives of MAPFRE.

The vesting conditions for executive directors are set out in the contracts regulating their relationship with the company, which specify that the vesting of rights begins after 10 years of service with the MAPFRE group, including five years as a senior executive. This is the case of all the executive directors.

There is no incompatibility with any kind of compensation for early termination or the conclusion of the contractual relationship between the company and the director.

A total amount of 3,799,886 euros, corresponding entirely to the company, is expected to be recorded as expenses for this item in 2017.

A.6 Indicate any compensation agreed or paid for termination of director functions.

Explain compensations

In the case of external directors, there is no compensation agreed or paid if they terminate their functions as directors. In the case of executive directors, the termination of their role implies lifting the suspension of the relationship prior to their appointment as such. Early termination of the previous relationship entails compensation under the terms established in the workers' statute in relation to unfair dismissal, except where there is good cause for dismissal.

No payments were made for this reason in 2016.

A.7 Indicate the terms and conditions that must be included in the contracts of people who perform senior management functions as executive directors. This information should cover aspects such as duration, limits to compensation amounts, continuity of service clauses, notice periods, as well as the amount paid in lieu of this notice period, and any other clauses related to signing bonuses, compensation or financial protection in the event of early termination or the conclusion of the contractual relationship between the company and the executive director. Include any no-compete, exclusivity, continuity of service and loyalty agreements, as well as any post-contractual non-competition covenants.

Explain the terms and conditions of contracts for executive directors

The duration of the contracts for executive directors is related to the length of service as a director. Termination in this role implies lifting the suspension of the relationship prior to the appointment as such.

The expiry on the date of maturity of the previous relationship will not lead in itself to any economic right, without prejudice to the right of the Board of Directors to agree, on the recommendation of the chairperson and the Appointments and Remuneration Committee, extraordinary bonuses based on performance during their career.

As indicated in Section A.6, in the case of executive directors the termination of their role implies lifting the suspension of the relationship prior to their appointment as such. Early termination of the previous relationship by the company entails compensation under the terms established in the workers' statute in relation to unfair dismissal, except where there is good cause for dismissal. In the event of early termination by decision of the company, the company must inform the director of his/her removal three (3) months prior to the date of termination.

Contracts governing the prior relationship establish the termination of this relationship as January 1 of the year after which the director reaches the age of 60, unless annual extensions are implemented at the initiative of the company until the date on which the executive reaches the age of 65, as a maximum.

Executive directors must have an exclusive relationship with the company, and there are no contractual conditions relating to post-contractual non-competition agreements or continuity of service.

There are no clauses relating to signing bonuses.

A.8 Explain any supplementary remuneration paid to directors for services rendered other than those inherent to their position.

Explain supplementary remuneration

No directors have rendered services other than those inherent to their position as directors or to their executive functions, as applicable, except for those services provided by certain directors in their capacity as members of the International Advisory Committee.

A.9 Indicate any remuneration in the form of advance payments, loans or guarantees granted, specifying the interest rate, their essential characteristics and the amounts returned, as well as any obligations undertaken on their behalf by way of a guarantee.

Explain advances, loans and guarantees granted

None of the Group companies has granted any payments in advance or loans to directors, or has provided guarantees on their behalf.

A.10 Explain the main characteristics of remuneration in kind.

Explain remuneration in kind

External directors are entitled to the following company benefits in accordance with the policy established for company staff in general.

- Life insurance, described in section A.3.
- Discounts on products sold by companies belonging to the MAPFRE Group.
- Christmas gift.

In the case of executive directors, in addition to the company benefits applicable to all MAPFRE staff they are entitled to receive the following as remuneration in kind:

- Specific life insurance, described in section A.3.
- The private use of a company vehicle according to the terms and conditions established in the policy for assignment of MAPFRE vehicles.
- Discounts on products sold by companies belonging to the MAPFRE Group.

A.11 Indicate the remuneration earned by directors by virtue of the payments made by the company to a third party for which the directors render services, when such payments are intended to compensate the directors for the services provided to the company.

Explain remuneration earned by directors by virtue of the payments made by the company to a third party for which the director renders services

No payments of this nature were made.

A.12 Indicate any other remuneration item other than those indicated above, whatever its nature or the Group company paying it, especially if treated as a related party transaction or if its payment could distort the true and fair image of the total remuneration earned by directors.

Explain other remuneration items

There are no remuneration items other than those described above.

A.13 Explain the actions taken by the company in relation to the remuneration system to reduce exposure to excessive risk and adjust it to the company's long-term objectives, values and interests. Make reference, where applicable, to measures intended to ensure that the remuneration policy serves the long-term objectives of the company; measures which provide an appropriate balance between fixed and variable components of remuneration; measures taken in relation to categories of staff whose professional activities have a material impact on the risk profile of the company; formulas or recovery clauses to claim the return of variable components of remuneration based on results when such components were paid on the basis of data which were subsequently proven to be manifestly inaccurate; and measures designed to prevent conflicts of interest, where applicable.

Explain the actions taken to reduce risk

On February 9, 2016 the Board of Directors agreed to refer the compensation policy for directors for the period 2016-2018 to the Annual General Meeting, which approved it on March 11, 2016.

In accordance with this, the fixed and variable components (short, medium and long-term) of the remuneration package must be balanced in such a way that the fixed component constitutes a sufficiently large part of the total remuneration, thus enabling the application of a completely flexible policy with regard to the variable components of the remuneration package, including the possibility of not paying these.

The payment of at least 30 percent of the variable remuneration will be deferred for a minimum of three years, and the contracts of the executive directors will include clauses of reduction (malus) or recovery (clawback) that may affect 100 percent of the variable remuneration.

Employee categories that may have a material impact on the company's risk profile have a variable short-term remuneration system linked to the achievement of objectives directly connected to strategic plans and carried out over one year.

In relation to potential conflicts of interest, the internal regulations of the company establish that these must be reported to the governing bodies of MAPFRE through General Counsel by those affected. These governing bodies will decide whether there is a conflict or not, and if so will establish measures to protect the company's interests in accordance with the circumstances. These measures must be accepted by those affected.

B REMUNERATION POLICY FOR FUTURE FINANCIAL YEARS

Repealed.

C GENERAL SUMMARY OF HOW THE REMUNERATION POLICY WAS APPLIED DURING THE CLOSED FINANCIAL YEAR

C.1 Provide a brief explanation of the main characteristics of the structure and remuneration items included in the compensation policy applied during the closed financial year, specifying the individual remuneration earned by each of the directors listed in Section D of this report, as well as a summary of the decisions made by the Board regarding the application of these items.

Explain the structure and remuneration items of the compensation policy applied during the financial year

The main remuneration items in 2016 were as follows:

Salaries: Fixed remuneration of executive directors as described in section A.3, earned for senior management duties.

Fixed remuneration: Annual fixed amount for membership of the Board of Directors and, as applicable, of the Steering Committee and Sub-Steering Committees, received exclusively by external directors. This amount was higher in the case of those occupying the role of vice chairperson on the Board of Directors or those who chair the Steering Committee, the Appointments and Remuneration Committee, the Audit Committee, or the Risk and Compliance Committee, but with no cumulative increases for people occupying several positions.

Short-term variable remuneration: Variable amount paid to executive directors for their executive duties, which may be equal to or slightly higher than the fixed remuneration.

Medium-term variable remuneration: Variable amount received by executive directors, linked to the fulfillment of certain corporate and specific individual objectives, as set out in the medium-term incentive plans for 2013-2016 and 2016-2019 approved by the Board of Directors and described in Section A.4.

In 2016 the sum of 4,716,000 euros was paid for this item in relation to the 2013-2016 plan. Of this amount, 3,696,000 euros corresponded to the company and 1,020,000 euros to the other Group companies.

Other items: This section includes the remuneration in kind described above, except for the premiums paid for life insurance.

At the recommendation of the Appointments and Remuneration Committee, the Board of Directors unanimously approved the aforementioned items and the amounts allocated to each of them for the financial year 2016 at its meeting on February 9, 2016.

The individual amounts received by the different directors are shown in Section D of this report.

Regarding the variable remuneration for executive directors, at the close of 2016 the amount was determined based on the fulfillment of the company's profit objectives.

D BREAKDOWN OF THE INDIVIDUAL REMUNERATION EARNED BY EACH DIRECTOR

Name	Type	Payment period 2016
ANTONIO HUERTAS MEJÍAS	Executive	From 01/01/2016 to 12/31/2016
ESTEBAN TEJERA MONTALVO	Executive	From 01/01/2016 to 12/31/2016
ANTONIO NÚÑEZ TOVAR	Executive	From 01/01/2016 to 12/31/2016
IGNACIO BAEZA GÓMEZ	Executive	From 01/01/2016 to 12/31/2016
RAFAEL BECA BORREGO	Independent	From 01/01/2016 to 12/31/2016
ADRIANA CASADEMONT I RUHÍ	Independent	From 01/01/2016 to 12/31/2016
RAFAEL CASAS GUTIÉRREZ	Executive	From 01/01/2016 to 12/31/2016
JOSÉ ANTONIO COLOMER GUIU	Independent	From 02/09/2016 to 12/31/2016
GEORG DASCHNER	Independent	From 01/01/2016 to 12/31/2016
ANA ISABEL FERNÁNDEZ ÁLVAREZ	Independent	From 07/26/2016 to 12/31/2016
RAFAEL FONTOIRA SURIS	Independent	From 01/01/2016 to 07/23/2016
MARÍA LETICIA DE FREITAS COSTA	Independent	From 01/01/2016 to 12/31/2016
LUIS HERNANDO DE LARRAMENDI MARTÍNEZ	Nominee	From 01/01/2016 to 12/31/2016
LUIS ITURBE SANZ DE MADRID	Independent	From 01/01/2016 to 03/06/2016
ANDRÉS JIMÉNEZ HERRADÓN	Nominee	From 01/01/2016 to 12/31/2016
ALBERTO MANZANO MARTOS	Nominee	From 01/01/2016 to 04/22/2016
RAFAEL MÁRQUEZ OSORIO	Nominee	From 01/01/2016 to 12/31/2016
ANTONIO MIGUEL-ROMERO DE OLANO	Nominee	From 01/01/2016 to 12/31/2016
CATALINA MIÑARRO BRUGAROLAS	Independent	From 01/01/2016 to 12/31/2016
ALFONSO REBUELTA BADIÁS	Nominee	From 01/01/2016 to 12/31/2016

D.1 Complete the following tables on the individual remuneration for each of the directors (including the remuneration for executive functions) earned during the year.

a) Remuneration earned within the company that is the subject of this report:

i) Remuneration in cash (thousands of euros)

Name	Salary	Fixed remuneration	Subsistence allowances	Short-term variable remuneration	Long-term variable remuneration	Remuneration for membership of Board committees	Compensation	Other items	2016 Total	2015 Total
ANTONIO HUERTAS MEJÍAS	800	0	0	758	1,152	0	0	15	2,725	1,458
ESTEBAN TEJERA MONTALVO	1,002	0	0	510	1,440	0	0	70	3,022	1,080
ANTONIO NÚÑEZ TOVAR	971	0	0	519	672	0	0	19	2,181	1,425
IGNACIO BAEZA GÓMEZ	486	0	0	393	432	0	0	51	1,362	853
RAFAEL BECA BORREGO	0	110	0	0	0	0	0	4	114	107
ADRIANA CASADEMONT I RUHÍ	0	155	0	0	0	0	0	2	157	132
RAFAEL CASAS GUTIÉRREZ	0	0	0	0	0	0	0	0	0	0
JOSÉ ANTONIO COLOMER GUIU	0	168	0	0	0	0	0	0	168	0
GEORG DASCHNER	0	200	0	0	0	0	0	0	200	101
ANA ISABEL FERNÁNDEZ ÁLVAREZ	0	47	0	0	0	0	0	1	48	0
RAFAEL FONTOIRA SURIS	0	62	0	0	0	0	0	1	63	106
MARÍA LETICIA DE FREITAS COSTA	0	110	0	0	0	0	0	0	110	44
LUIS HERNANDO DE LARRAMENDI MARTÍNEZ	0	180	0	0	0	0	0	3	183	178
LUIS ITURBE SANZ DE MADRID	0	43	0	0	0	0	0	1	44	215
ANDRÉS JIMÉNEZ HERRADÓN	0	140	0	0	0	0	0	0	140	130
ALBERTO MANZANO MARTOS	0	33	0	0	0	0	0	1	34	101
RAFAEL MÁRQUEZ OSORIO	0	180	0	0	0	0	0	2	182	176
ANTONIO MIGUEL-ROMERO DE OLANO	0	210	0	0	0	0	0	2	212	173
CATALINA MIÑARRO BRUGAROLAS	0	223	0	0	0	0	0	1	224	175
ALFONSO REBUELTA BADÍAS	0	140	0	0	0	0	0	4	144	156

ii) Share-based remuneration systems

iii) Long-term savings systems

Name	Contribution during the year made by the company (thousands of euros)		Amount of accumulated funds (thousands of euros)	
	Year 2016	Year 2015	Year 2016	Year 2015
ANTONIO HUERTAS MEJÍAS	1,699	1,687	4,834	3,191
ESTEBAN TEJERA MONTALVO	21	392	2,165	2,087
ANTONIO NÚÑEZ TOVAR	1,223	1,222	3,359	2,218
IGNACIO BAEZA GÓMEZ	435	423	880	428

iv) Other benefits (thousands of euros)

ANTONIO HUERTAS MEJÍAS			
Remuneration in the form of advances, loans granted			
Interest rate of the transaction		Main characteristics of the transaction	Amounts returned
0.00		Not applicable	Not applicable
Life insurance premiums		Guarantees given by the company on behalf of directors	
Year 2016	Year 2015	Year 2016	Year 2015
14	9	Not applicable	Not applicable

ESTEBAN TEJERA MONTALVO			
Remuneration in the form of advances, loans granted			
Interest rate of the transaction		Main characteristics of the transaction	Amounts returned
0.00		Not applicable	Not applicable
Life insurance premiums		Guarantees given by the company on behalf of directors	
Year 2016	Year 2015	Year 2016	Year 2015
24	16	Not applicable	Not applicable

ANTONIO NÚÑEZ TOVAR			
Remuneration in the form of advances, loans granted			

ANTONIO NÚÑEZ TOVAR				
Interest rate of the transaction		Main characteristics of the transaction		Amounts returned
0,00		Not applicable		Not applicable
Life insurance premiums		Guarantees given by the company on behalf of directors		
Year 2016	Year 2015	Year 2016		Year 2015
27	20	Not applicable		Not applicable

IGNACIO BAEZA GÓMEZ				
Remuneration in the form of advances, loans granted				
Interest rate of the transaction		Main characteristics of the transaction		Amounts returned
0.00		Not applicable		Not applicable
Life insurance premiums		Guarantees given by the company on behalf of directors		
Year 2016	Year 2015	Year 2016		Year 2015
11	12	Not applicable		Not applicable

RAFAEL BECA BORREGO				
Remuneration in the form of advances, loans granted				
Interest rate of the transaction		Main characteristics of the transaction		Amounts returned
0.00		Not applicable		Not applicable

RAFAEL BECA BORREGO			
Life insurance premiums		Guarantees given by the company on behalf of directors	
Year 2016	Year 2015	Year 2016	Year 2015
3	2	Not applicable	Not applicable

ADRIANA CASADEMONT I RUHÍ			
Remuneration in the form of advances, loans granted			
Interest rate of the transaction	Main characteristics of the transaction		Amounts returned
0.00	Not applicable		Not applicable
Life insurance premiums		Guarantees given by the company on behalf of directors	
Year 2016	Year 2015	Year 2016	Year 2015
1	1	Not applicable	Not applicable

RAFAEL CASAS GUTIÉRREZ			
Remuneration in the form of advances, loans granted			
Interest rate of the transaction	Main characteristics of the transaction		Amounts returned
0.00	Not applicable		Not applicable
Life insurance premiums		Guarantees given by the company on behalf of directors	
Year 2016	Year 2015	Year 2016	Year 2015

RAFAEL CASAS GUTIÉRREZ			
0	0	Not applicable	Not applicable

JOSÉ ANTONIO COLOMER GUIU			
Remuneration in the form of advances, loans granted			
Interest rate of the transaction		Main characteristics of the transaction	Amounts returned
0,00		Not applicable	Not applicable
Life insurance premiums		Guarantees given by the company on behalf of directors	
Year 2016	Year 2015	Year 2016	Year 2015
2	0	Not applicable	Not applicable

GEORG DASCHNER			
Remuneration in the form of advances, loans granted			
Interest rate of the transaction		Main characteristics of the transaction	Amounts returned
0.00		Not applicable	Not applicable
Life insurance premiums		Guarantees given by the company on behalf of directors	
Year 2016	Year 2015	Year 2016	Year 2015
3	2	Not applicable	Not applicable

ANA ISABEL FERNÁNDEZ ÁLVAREZ		
Remuneration in the form of advances, loans granted		
Interest rate of the transaction	Main characteristics of the transaction	Amounts returned
0,00	Not applicable	Not applicable
Life insurance premiums	Guarantees given by the company on behalf of directors	
Year 2016	Year 2015	Year 2015
1	0	Not applicable

RAFAEL FONTOIRA SURIS		
Remuneration in the form of advances, loans granted		
Interest rate of the transaction	Main characteristics of the transaction	Amounts returned
0.00	Not applicable	Not applicable
Life insurance premiums	Guarantees given by the company on behalf of directors	
Year 2016	Year 2015	Year 2015
2	4	Not applicable

MARÍA LETICIA DE FREITAS COSTA		
Remuneration in the form of advances, loans granted		
Interest rate of the transaction	Main characteristics of the transaction	Amounts returned

MARÍA LETICIA DE FREITAS COSTA				
0.00		Not applicable		Not applicable
Life insurance premiums		Guarantees given by the company on behalf of directors		
Year 2016	Year 2015	Year 2016	Year 2015	
1	1	Not applicable		Not applicable

LUIS HERNANDO DE LARRAMENDI MARTÍNEZ				
Remuneration in the form of advances, loans granted				
Interest rate of the transaction		Main characteristics of the transaction		Amounts returned
0.00		Not applicable		Not applicable
Life insurance premiums		Guarantees given by the company on behalf of directors		
Year 2016	Year 2015	Year 2016	Year 2015	
2	2	Not applicable		Not applicable

LUIS ITURBE SANZ DE MADRID				
Remuneration in the form of advances, loans granted				
Interest rate of the transaction		Main characteristics of the transaction		Amounts returned
0.00		Not applicable		Not applicable
Life insurance premiums		Guarantees given by the company on behalf of directors		

LUIS ITURBE SANZ DE MADRID				
Year 2016	Year 2015		Year 2016	Year 2015
1		4	Not applicable	Not applicable

ANDRÉS JIMÉNEZ HERRADÓN					
Remuneration in the form of advances, loans granted					
Interest rate of the transaction		Main characteristics of the transaction		Amounts returned	
0.00		Not applicable		Not applicable	
Life insurance premiums		Guarantees given by the company on behalf of directors			
Year 2016	Year 2015		Year 2016		Year 2015
2		1	Not applicable		Not applicable

ALBERTO MANZANO MARTOS					
Remuneration in the form of advances, loans granted					
Interest rate of the transaction		Main characteristics of the transaction		Amounts returned	
0.00		Not applicable		Not applicable	
Life insurance premiums		Guarantees given by the company on behalf of directors			
Year 2016	Year 2015		Year 2016		Year 2015

ALBERTO MANZANO MARTOS			
2	4	Not applicable	Not applicable

RAFAEL MÁRQUEZ OSORIO			
Remuneration in the form of advances, loans granted			
Interest rate of the transaction		Main characteristics of the transaction	Amounts returned
0,00		Not applicable	Not applicable
Life insurance premiums		Guarantees given by the company on behalf of directors	
Year 2016	Year 2015	Year 2016	Year 2015
5	4	Not applicable	Not applicable

ANTONIO MIGUEL-ROMERO DE OLANO			
Remuneration in the form of advances, loans granted			
Interest rate of the transaction		Main characteristics of the transaction	Amounts returned
0.00		Not applicable	Not applicable
Life insurance premiums		Guarantees given by the company on behalf of directors	
Year 2016	Year 2015	Year 2016	Year 2015
2	1	Not applicable	Not applicable

CATALINA MIÑARRO BRUGAROLAS		
Remuneration in the form of advances, loans granted		
Interest rate of the transaction	Main characteristics of the transaction	Amounts returned
0,00	Not applicable	Not applicable
Life insurance premiums	Guarantees given by the company on behalf of directors	
Year 2016	Year 2015	Year 2016
1	1	Not applicable
		Not applicable

ALFONSO REBUELTA BADÍAS		
Remuneration in the form of advances, loans granted		
Interest rate of the transaction	Main characteristics of the transaction	Amounts returned
0.00	Not applicable	Not applicable
Life insurance premiums	Guarantees given by the company on behalf of directors	
Year 2016	Year 2015	Year 2016
2	2	Not applicable
		Not applicable

b) Remuneration earned by the company's directors for membership of boards in other Group companies

i) Remuneration in cash (thousands of euros)

Name	Salary	Fixed remuneration	Subsistence allowances	Variable remuneration: short term	Variable remuneration: long term	Remuneration for membership of Board committees	Compensation	Other items	2016 Total	2015 Total
ANTONIO HUERTAS MEJÍAS	0	0	0	0	0	0	0	0	0	0
ESTEBAN TEJERA MONTALVO	0	0	0	0	0	0	0	0	0	0
ANTONIO NÚÑEZ TOVAR	0	0	0	0	0	0	0	0	0	0
IGNACIO BAEZA GÓMEZ	0	0	0	0	0	0	0	0	0	0
RAFAEL BECA BORREGO	0	40	0	0	0	0	0	0	40	32
ADRIANA CASADEMONT I RUHÍ	0	40	0	0	0	0	0	0	40	30
RAFAEL CASAS GUTIÉRREZ	667	0	0	340	1,020	0	0	93	2,120	939
JOSÉ ANTONIO COLOMER GUIU	0	28	0	0	0	0	0	0	28	0
GEORG DASCHNER	0	0	0	0	0	0	0	0	0	0
ANA ISABEL FERNÁNDEZ ÁLVAREZ	0	80	0	0	0	0	0	1	81	0
RAFAEL FONTOIRA SURIS	0	23	0	0	0	0	0	0	23	33
MARÍA LETICIA DE FREITAS COSTA	0	0	0	0	0	0	0	0	0	0
LUIS HERNANDO DE LARRAMENDI MARTÍNEZ	0	86	0	0	0	0	0	0	86	68
LUIS ITURBE SANZ DE MADRID	0	0	0	0	0	0	0	0	0	2
ANDRÉS JIMÉNEZ HERRADÓN	0	63	0	0	0	0	0	3	66	62
ALBERTO MANZANO MARTOS	0	25	0	0	0	0	0	0	25	60
RAFAEL MÁRQUEZ OSORIO	0	40	0	0	0	0	0	0	40	30
ANTONIO MIGUEL-ROMERO DE OLANO	0	91	0	0	0	0	0	0	91	74
CATALINA MIÑARRO BRUGAROLAS	0	46	0	0	0	0	0	0	46	38
ALFONSO REBUELTA BADÍAS	0	86	0	0	0	0	0	30	116	67

ii) Share-based remuneration systems

iii) Long-term savings systems

Name	Contribution during the year made by the company (thousands of euros)		Amount of accumulated funds (thousands of euros)	
	Year 2016	Year 2015	Year 2016	Year 2015
ANTONIO HUERTAS MEJÍAS	0	0	653	636
IGNACIO BAEZA GÓMEZ	0	0	1,850	1,797
RAFAEL CASAS GUTIÉRREZ	22	20	1,647	1,581

iv) Other benefits (thousands of euros)

RAFAEL CASAS GUTIÉRREZ			
Remuneration in the form of advances, loans granted			
Interest rate of the transaction		Main characteristics of the transaction	Amounts returned
0.00		Not applicable	Not applicable
Life insurance premiums		Guarantees given by the company on behalf of directors	
Year 2016	Year 2015	Year 2016	Year 2015
29	24	Not applicable	Not applicable

ANA ISABEL FERNÁNDEZ ÁLVAREZ			
Remuneration in the form of advances, loans granted			
Interest rate of the transaction		Main characteristics of the transaction	Amounts returned
0.00		Not applicable	Not applicable
Life insurance premiums		Guarantees given by the company on behalf of directors	
Year 2016	Year 2015	Year 2016	Year 2015
1	0	Not applicable	Not applicable

ANDRÉS JIMÉNEZ HERRADÓN			
Remuneration in the form of advances, loans granted			

ANDRÉS JIMÉNEZ HERRADÓN				
Interest rate of the transaction		Main characteristics of the transaction		Amounts returned
0.00		Not applicable		Not applicable
Life insurance premiums		Guarantees given by the company on behalf of directors		
Year 2016	Year 2015	Year 2016		Year 2015
1	1	Not applicable		Not applicable

c) Summary of remuneration (thousands of euros)

The summary must include the amounts corresponding to all remuneration items described in this report that have been earned by directors, in thousands of euros.

In the case of long-term savings systems, include the contributions or provisions made to these types of systems.

Name	Remuneration earned within the company				Remuneration earned within Group companies				Totals		
	Total remuneration in cash	Value of issued shares	Gross profit on options exercised	Total 2016 company	Total remuneration in cash	Value of shares issued	Gross profit on options exercised	Total 2016 Group	Total 2016	Total 2015	Contribution to savings systems during the year
ANTONIO HUERTAS MEJÍAS	2,725	0	0	2,725	0	0	0	0	2,725	1,458	1,699
ESTEBAN TEJERA MONTALVO	3,022	0	0	3,022	0	0	0	0	3,022	1,080	21
ANTONIO NÚÑEZ TOVAR	2,181	0	0	2,181	0	0	0	0	2,181	1,425	1,223
IGNACIO BAEZA GÓMEZ	1,362	0	0	1,362	0	0	0	0	1,362	853	435
RAFAEL BECA BORREGO	114	0	0	114	40	0	0	40	154	139	0
ADRIANA CASADEMONT I RUHÍ	157	0	0	157	40	0	0	40	197	162	0
RAFAEL CASAS GUTIÉRREZ	0	0	0	0	2,120	0	0	2,120	2,120	939	22
JOSÉ ANTONIO COLOMER GUIU	168	0	0	168	28	0	0	28	196	0	0
GEORG DASCHNER	200	0	0	200	0	0	0	0	200	101	0
ANA ISABEL FERNÁNDEZ ÁLVAREZ	48	0	0	48	81	0	0	81	129	0	0
RAFAEL FONTOIRA SURIS	63	0	0	63	23	0	0	23	86	139	0
MARÍA LETICIA DE FREITAS COSTA	110	0	0	110	0	0	0	0	110	44	0
LUIS HERNANDO DE LARRAMENDI MARTÍNEZ	183	0	0	183	86	0	0	86	269	246	0
LUIS ITURBE SANZ DE MADRID	44	0	0	44	0	0	0	0	44	217	0
ANDRÉS JIMÉNEZ HERRADÓN	140	0	0	140	66	0	0	66	206	192	0
ALBERTO MANZANO MARTOS	34	0	0	34	25	0	0	25	59	161	0

Name	Remuneration earned within the company				Remuneration earned within Group companies				Totals		
	Total remuneration in cash	Value of issued shares	Gross profit on options exercised	Total 2016 company	Total remuneration in cash	Value of shares issued	Gross profit on options exercised	Total 2016 Group	Total 2016	Total 2015	Contribution to savings systems during the year
RAFAEL MÁRQUEZ OSORIO	182	0	0	182	40	0	0	40	222	206	0
ANTONIO MIGUEL-ROMERO DE OLANO	212	0	0	212	91	0	0	91	303	247	0
CATALINA MIÑARRO BRUGAROLAS	224	0	0	224	46	0	0	46	270	213	0
ALFONSO REBUELTA BADÍAS	144	0	0	144	116	0	0	116	260	223	0
TOTAL	11,313	0	0	11,313	2,802	0	0	2,802	14,115	8,045	3,400

D.2 Report on the relationship between the remuneration obtained by directors and the company's results or other measures of performance, explaining where applicable how variations in the company's performance have affected the variation in the remuneration for directors.

The variable remuneration of the executive directors is always linked to the result.

D.3 Report on the result of the advisory vote at the Annual General Meeting on the annual report on remuneration for the previous financial year, indicating the number of any negative votes cast.

	Number	% of total
Votes cast	2,524,579,279	81.98%

	Number	% of total
Negative votes	290,035,069	9.42%
Votes in favor	2,234,530,695	72.56%
Abstentions	13,515	0.00%

E OTHER USEFUL INFORMATION

If there is any relevant aspect regarding the remuneration of directors which has not been covered in the other sections of this report but which should be included to provide more complete and explanatory information about the remuneration structure and practices of the company in relation to its directors, please provide a brief explanation here.

This annual report on remuneration was approved by the company's Board of Directors on 02/07/2017.

Indicate whether any directors voted against the report or abstained.

Yes

No