VidaCaixa

Consolidated Annual Accounts 2016

INDEX

INDEPENDENT AUDIT REPORT

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Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

<u>INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS</u>

To the Sole Shareholder of VidaCaixa, S.A.U. de Seguros y Reaseguros:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of VidaCaixa, S.A.U. de Seguros y Reaseguros, ("the Parent") and Subsidiaries, which comprise the consolidated balance sheet as at December 31, 2016, and the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of total changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

Directors' Responsibility for the Consolidated Financial Statements

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the consolidated equity, consolidated financial position and consolidated results of VidaCaixa, S.A.U. de Seguros y Reaseguros and Subsidiaries in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain (identified in Note 2 to the accompanying consolidated financial statements) and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the audit regulations in force in Spain. Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation by the Parent's directors of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of VidaCaixa, S.A.U. de Seguros y Reaseguros and Subsidiaries as at December 31, 2016, and their consolidated results and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Report on Other Legal and Regulatory Requirements

The accompanying consolidated directors' report for 2016 contains the explanations which the Parent's directors consider appropriate about the situation of VidaCaixa, S.A.U. de Seguros y Reaseguros and Subsidiaries, the evolution of their business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2016. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than drawn from the accounting records of VidaCaixa, S.A.U. de Seguros y Reaseguros and Subsidiaries.

DELOITTE, S.L.

Inscrita en el R.O.A.C. nº S0692

Jordi Montalbo

March 17, 2017

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VIDACAIXA, S.A.U. DE SEGUROS Y REASEGUROS Y SOCIEDADES DEPENDIENTES

CONSOLIDATED BALANCE SHEETS

ASSETS	Note in the Annual Report	Figures in Thousands of euros			
		31.12.2016		31.12.2015 (*)	
1. Cash and other equivalent liquid assets	**Note 6**		**869,125**		**11,569,073**
2. Financial assets held for trading	**Note 6**		**443**		**405**
3. Other financial assets at fair value with changes registered in the profit and loss account	**Note 6**		**3,351,182**		**2,171,112**
a) Equity instruments		1,085,913		219,843	
b) Debt securities		-		-	
c) Hybrid instruments		-		-	
d) Investment on behalf of life insurance policyholders who assume the risk of the investment		2,265,269		1,951,097	
e) Other		-		172	
4. Financial assets available for sale	**Note 6**		**47,025,473**		**41,934,067**
a) Equity instruments		981		498	
b) Debt securities		47,024,492		41,933,569	
c) Loans		-		-	
d) Deposits in credit entities		-		-	
e) Other		-		-	

ASSETS	Note in the Annual Report	Figures in Thousands of euros 31.12.2016		31.12.2015 (*)	
5. Loans and payments receivable	**Note 6**		**788,333**		**821,399**
a) Loans and deposits		511,776		530,032	
b) Payments receivable		276,557		291,367	
6. Investments held to maturity			**-**		**-**
7. Hedging derivatives			**-**		**-**
8. Share of reinsurance in technical reserves	**Note 15**		**336,723**		**391,226**
9. Tangible fixed assets and property investments	**Note 9**		**23,116**		**21,084**
a) Tangible fixed assets		22,492		20,478	
b) Property investments		624		606	
10. Intangible fixed assets	**Note 10**		**761,568**		**777,916**
a) Goodwill		583,577		583,577	
b) Policy portfolio acquisition expenses		-		-	
c) Other intangible assets		177,991		194,339	
11. Shareholdings in companies valued by the equity method	**Note 8**		**1,068,618**		**1,026,721**

ASSETS	Note in the Annual Report	Figures in Thousands of euros			
		31.12.2016		31.12.2015 (*)	
12. Tax assets	**Note 12**		**280,417**		**300,150**
a) Assets through ordinary tax		-		-	
b) Deferred tax assets		280,417		300,150	
13. Other assets			**861,486**		**821,376**
14. Assets held for sale			**-**		**-**
TOTAL ASSETS			**55,366,484**		**59,834,529**

(*) Presented solely and exclusively for purposes of comparison (see Note 2.e).
Notes 1 to 22 described in the accompanying Report and in Annexes 1 to 3 form an integral part of the Consolidated Balance Sheet at 31 December 2016.

VIDACAIXA, S.A.U. DE SEGUROS Y REASEGUROS Y SOCIEDADES DEPENDIENTES

CONSOLIDATED BALANCE SHEETS

NET ASSETS AND LIABILITIES	Note in the Annual Report	Figures in Thousands of euros			
		31.12.2016		31.12.2015 (*)	
TOTAL LIABILITIES			**52,344,263**		**56,858,929**
1. Financial liabilities held for trading			-		-
2. Other financial liabilities at fair value with changes in the profit and loss account			-		-
3. Debits and payable items	**Note 13**		**710,735**		**11,893,383**
a) Subordinated liabilities		-		-	
b) Other debts		710,735		11,893,383	
4. Hedging derivatives			-		-
5. Technical reserves	**Note 15**		**51,287,410**		**44,586,254**
a) For unearned premiums		4,280		2,962	
b) For unexpired risks		-		-	
c) For life insurance		50,710,908		44,052,088	
- Reserve for unearned premiums and unexpired risks		254,561		173,014	
- Policy reserves		47,848,540		41,803,682	
- Reserves for life insurance when the policyholder assumes the investment risk		2,607,807		2,075,392	

NET ASSETS AND LIABILITIES	Note in the Annual Report	Figures in Thousands of euros			
		31.12.2016		31.12.2015 (*)	
d) Claims reserves		526,512		465,733	
e) Share in profits and returns		45,710		65,471	
f) Other technical reserves		-		-	
6. Non-technical reserves	**Note 16**		**-**		**-**
7. Tax liabilities	**Note 12**		**318,335**		**335,999**
a) Liabilities through ordinary tax		-		-	
b) Deferred tax liabilities		318,335		335,999	
8. Other liabilities			**27,783**		**43,293**
9. Liabilities associated with assets held for sale			**-**		**-**
TOTAL NET ASSETS			**3,022,221**		**2,975,600**
Own funds			**3,025,654**		**2,975,442**
1. Capital	**Note 17**	1,347,462		1,347,462	
a) Authorised capital		1,347,462		1,347,462	
b) *Less*: Uncalled capital		-		-	
2. Issue premium		-		-	

NET ASSETS AND LIABILITIES	Note in the Annual Report	Figures in Thousands of euros			
		31.12.2016		31.12.2015 (*)	
3. Reserves	**Note 17**	1,555,872		1,527,484	
4. *Less*: Shares and holdings in own assets		-		-	
5. Earnings of previous financial years		-		-	
6. Other shareholder contributions		-		-	
7. Financial year result attributed to the Parent Company		492,320		340,496	
a) Consolidated Losses and Profits		492,320		340,496	
b) Losses and Profits attributable to external partners		-		-	
8. *Less*: Interim dividend	**Note 17**	(370,000)		(240,000)	
9. Other net equity instruments		-		-	
Adjustments for changes in value	**Note 6**		**(3,433)**		**158**
1. Financial assets available for sale		(3,433)		158	
2. Hedging operations		-		-	
3. Exchange differences		-		-	
4. Corrections of accounting mismatches		-		-	
5. Companies valued by the equity method		-		-	

NET ASSETS AND LIABILITIES	Note in the Annual Report	Figures in Thousands of euros			
		31.12.2016		31.12.2015 (*)	
6. Other adjustments		-		-	
Subsidies, donations and legacies received			-		-
NET ASSETS ATTRIBUTABLE TO THE PARENT COMPANY			**3,022,221**		**2,975,600**
MINORITY INTERESTS	**Note 18**		-		-
1. Adjustments for changes in value		-		-	
2. Other		-		-	
TOTAL NET ASSETS AND LIABILITIES			**55,366,484**		**59,834,529**

(*) Presented solely and exclusively for purposes of comparison (see Note 2.e).

Notes 1 to 22 in the accompanying Report and in Annexes 1 to 3 form an integral part of the Consolidated Balance Sheet at 31 December 2016.

VIDACAIXA, S.A.U. DE SEGUROS Y REASEGUROS Y SOCIEDADES DEPENDIENTES

CONSOLIDATED PROFIT AND LOSS ACCOUNTS

	Note in the Annual Report	Figures in Thousands of euros	
		2016 Financial Year	2015 Financial Year (*)
1. Premiums applied to period, net of reinsurance		8,401	13,557
2. Tangible fixed asset and investment revenue		125,881	102,017
3. Other technical revenue		-	-
4. Losses incurred in the period, net of reinsurance		(7,751)	(7,210)
5. Change in other technical reserves, net of reinsurance		-	-
6. Profit-sharing and returns		(451)	(1,217)
7. Net operating expenses		478	(870)
8. Other technical expenses		(363)	(1,043)
9. Tangible fixed asset and investment expenses		(32)	(300)
A) RESULT FOR NON-LIFE INSURANCE	**Note 19**	**126,163**	**104,934**
10. Premiums applied to period, net of reinsurance		9,188,306	6,894,693
11. Tangible fixed asset and investment revenue		2,205,983	2,464,849

	Note in the Annual Report	Figures in Thousands of euros	
		2016 Financial Year	2015 Financial Year (*)
12. Revenue for investments subject to insurance in which the policyholder assumes the investment risk		678,100	226,747
13. Other technical revenue		30,361	3,700
14. Losses incurred in the period, net of reinsurance		(4,918,100)	(6,371,905)
15. Change in other technical reserves, net of reinsurance		(5,544,031)	(2,348,065)
16. Profit-sharing and returns		(39,028)	(56,696)
17. Net operating expenses		(272,162)	(223,958)
18. Other technical expenses		(12,686)	(12,142)
19. Tangible fixed asset and investment expenses		(254,835)	(84,668)
20. Expenses of investments subject to insurance in which the policyholder assumes the investment risk		(606,290)	(208,947)
B) RESULT FOR LIFE INSURANCE	**Note 19**	**455,618**	**283,608**
21. Tangible fixed asset and investment revenue		24,572	44,045
22. Negative consolidation difference		-	-
23. Tangible fixed asset and investment expenses		(980)	(24,892)
24. Other income		213,905	194,586
25. Other expenses		(175,886)	(160,885)

	Note in the Annual Report	Figures in Thousands of euros	
		2016 Financial Year	2015 Financial Year (*)
C) RESULT FROM OTHER ACTIVITIES		**61,611**	**52,854**
E) PROFIT/LOSS BEFORE TAX		**643,392**	**441,396**
26. Corporate Income Tax	**Note 12**	(151,072)	(100,900)
F) FINANCIAL YEAR RESULT FROM CONTINUED OPERATIONS		**492,320**	**340,496**
27. Financial year result from uninterrupted operations net of tax		-	-
G) CONSOLIDATED PROFIT/LOSS FOR THE YEAR		**492,320**	**340,496**
a) Profit attributed to the parent company		492,320	340,496
b) Profit attributed to minority interests	**Note 18**	-	-
PER SHARE EARNINGS			
Basic and diluted earnings per share		2	2

(*) Presented solely and exclusively for purposes of comparison (see Note 2.e).

Notes 1 to 22 and Annexes 1 to 3 form an integral part of the Consolidated Profit and Loss Account corresponding to the 2016 financial year.

VIDACAIXA, S.A.U. DE SEGUROS Y REASEGUROS Y SOCIEDADES DEPENDIENTES

CONSOLIDATED BALANCE SHEET BY SEGMENTS AT 31 DECEMBER 2016

ASSETS	Figures in Thousands of euros			
	NON-LIFE SEGMENT	LIFE SEGMENT	OTHERS SEGMENT	TOTAL
1. Cash and other equivalent liquid assets	**59,800**	**807,920**	**1,405**	**869,125**
2. Financial assets held for trading	**-**	**443**	**-**	**443**
3. Other financial assets at fair value with changes registered in the profit and loss account	**-**	**3,351,182**	**-**	**3,351,182**
4. Financial assets available for sale	**-**	**47,025,473**	**-**	**47,025,473**
5. Loans and payments receivable	**85,030**	**703,303**	**-**	**788,333**
a) Loans and deposits	-	511,776	-	511,776
b) Payments receivable	85,030	191,527	-	276,557
6. Investments held to maturity	**-**	**-**	**-**	**-**
7. Hedging derivatives	**-**	**-**	**-**	**-**
8. Share of reinsurance in technical reserves	**-**	**336,723**	**-**	**336,723**
9. Tangible fixed assets and property investments	**-**	**23,116**	**-**	**23,116**
a) Tangible fixed assets	-	22,492	-	22,492
b) Property investments	-	624	-	624

ASSETS	Figures in Thousands of euros			
	NON-LIFE SEGMENT	LIFE SEGMENT	OTHERS SEGMENT	TOTAL
10. Intangible fixed assets	**-**	**761,568**	**-**	**761,568**
a) Goodwill	-	583,577	-	583,577
b) Policy portfolio acquisition expenses	-	-	-	-
c) Other intangible assets	-	177,991	-	177,991
11. Shareholdings in companies valued by the equity method	**1,068,618**	**-**	**-**	**1,068,618**
12. Tax assets	**-**	**280,417**	**-**	**280,417**
a) Assets through ordinary tax	-	-	-	-
b) Deferred tax assets	-	280,417	-	280,417
13. Other assets	**-**	**861,463**	**23**	**861,486**
14. Assets held for sale	**-**	**-**	**-**	**-**
TOTAL ASSETS	**1,213,448**	**54,151,608**	**1,428**	**55,366,484**

NET ASSETS AND LIABILITIES	Figures in Thousands of euros			
	NON-LIFE SEGMENT	LIFE SEGMENT	OTHERS SEGMENT	TOTAL
TOTAL LIABILITIES	**18,667**	**52,325,159**	**437**	**52,344,263**
1. Financial liabilities held for trading	-	-	-	-
2. Other financial liabilities at fair value with changes in the profit and loss account	-	-	-	-
3. Debits and payable items	-	710,307	428	710,735
4. Hedging derivatives	-	-	-	-
5. Technical reserves	18,667	51,268,743	-	51,287,410
6. Non-technical reserves	-	-	-	-
7. Tax liabilities	-	318,335	-	318,335
8. Other liabilities	-	27,774	9	27,783
9. Liabilities associated with assets held for sale	-	-	-	-
TOTAL NET ASSETS	**1,194,781**	**1,826,449**	**991**	**3,022,221**
Own funds	**1,194,781**	**1,829,882**	**991**	**3,025,654**
1. Capital	-	1,347,462	-	1,347,462
a) Authorised capital	-	1,347,462	-	1,347,462
b) *Less*: Uncalled capital	-	-	-	- -

NET ASSETS AND LIABILITIES	Figures in Thousands of euros			
	NON-LIFE SEGMENT	LIFE SEGMENT	OTHERS SEGMENT	TOTAL
2. Issue premium	-	-	-	-
3. Reserves	1,068,618	487,254	-	1,555,872
4. *Less*: Shares and holdings in own assets	-	-	-	-
5. Earnings of previous financial years	-	-	-	-
6. Other shareholder contributions	-	-	-	-
7. Financial year result attributed to the Parent Company	126,163	365,166	991	492,320
a) Consolidated Losses and Profits	126,163	365,166	991	492,320
b) Losses and Profits attributable to external partners	-	-	-	-
8. *Less*: Interim dividend	-	(370,000)	-	(370,000)
9. Other net equity instruments	-	-	-	-
Adjustments for changes in value	**-**	**(3,433)**	**-**	**(3,433)**
1. Financial assets available for sale	-	(3,433)	-	(3,433)
2. Hedging operations	-	-	-	-
3. Exchange differences	-	-	-	-
4. Corrections of accounting mismatches	-	-	-	-

NET ASSETS AND LIABILITIES	Figures in Thousands of euros			
	NON-LIFE SEGMENT	LIFE SEGMENT	OTHERS SEGMENT	TOTAL
5. Companies valued by the equity method	-	-	-	-
6. Other adjustments	-	-	-	-
Subsidies, donations and legacies received	**-**	**-**	**-**	**-**
NET ASSETS ATTRIBUTABLE TO THE PARENT COMPANY	**1,194,781**	**1,826,449**	**991**	**3,022,221**
MINORITY INTERESTS	**-**	**-**	**-**	**-**
TOTAL NET ASSETS AND LIABILITIES	**1,213,448**	**54,151,608**	**1,428**	**55,366,484**

VIDACAIXA, S.A.U. DE SEGUROS Y REASEGUROS Y SOCIEDADES DEPENDIENTES

CONSOLIDATED BALANCE SHEET BY SEGMENTS AT 31 DECEMBER 2015

ASSETS	Figures in Thousands of euros			
	NON-LIFE SEGMENT	LIFE SEGMENT	OTHERS SEGMENT	TOTAL
1. Cash and other equivalent liquid assets	**47,587**	**11,519,028**	**2,458**	**11,569,073**
2. Financial assets held for trading	-	**405**	-	**405**
3. Other financial assets at fair value with changes registered in the profit and loss account	-	**2,171,112**	-	**2,171,112**
4. Financial assets available for sale	-	**41,934,067**	-	**41,934,067**
5. Loans and payments receivable	**74,282**	**746,916**	**201**	**821,399**
a) Loans and deposits	-	530,032	-	530,032
b) Payments receivable	74,282	216,884	201	291,367
6. Investments held to maturity	-	-	-	-
7. Hedging derivatives	-	-	-	-
8. Share of reinsurance in technical reserves	-	**391,226**	-	**391,226**
9. Tangible fixed assets and property investments	-	**21,084**	-	**21,084**
a) Tangible fixed assets	-	20,478	-	20,478
b) Property investments	-	606	-	606

ASSETS	Figures in Thousands of euros			
	NON-LIFE SEGMENT	LIFE SEGMENT	OTHERS SEGMENT	TOTAL
10. Intangible fixed assets	**-**	**777,916**	**-**	**777,916**
a) Goodwill	-	583,577	-	583,577
b) Policy portfolio acquisition expenses	-	-	-	-
c) Other intangible assets	-	194,339	-	194,339
11. Shareholdings in companies valued by the equity method	**1,026,721**	**-**	**-**	**1,026,721**
12. Tax assets	**-**	**300,150**	**-**	**300,150**
a) Assets through ordinary tax	-	-	-	-
b) Deferred tax assets	-	300,150	-	300,150
13. Other assets	**-**	**821,167**	**209**	**821,376**
14. Assets held for sale	**-**	**-**	**-**	**-**
TOTAL ASSETS	1,148,590	58,683,071	2,868	59,834,529

NET ASSETS AND LIABILITIES	Figures in Thousands of euros			
	NON-LIFE SEGMENT	LIFE SEGMENT	OTHERS SEGMENT	TOTAL
TOTAL LIABILITIES	**16,935**	**56,841,127**	**867**	**56,858,929**
1. Financial liabilities held for trading	-	-	-	-
2. Other financial liabilities at fair value with changes in the profit and loss account	-	-	-	-
3. Debits and payable items	-	**11,892,523**	**860**	**11,893,383**
4. Hedging derivatives	-	-	-	-
5. Technical reserves	**16,935**	**44,569,319**	-	**44,586,254**
6. Non-technical reserves	-	-	-	-
7. Tax liabilities	-	**335,999**	-	**335,999**
8. Other liabilities	-	**43,286**	**7**	**43,293**
9. Liabilities associated with assets held for sale	-	-	-	-
TOTAL NET ASSETS	**1,131,655**	**1,841,944**	**2,001**	**2,975,600**
Own funds	**1,131,655**	**1,841,787**	**2,001**	**2,975,442**
1. Capital	-	**1,347,462**	-	**1,347,462**
a) Authorised capital	-	1,347,462	-	1.347.462
b) *Less*: Uncalled capital	-	-	-	- -

NET ASSETS AND LIABILITIES	Figures in Thousands of euros			
	NON-LIFE SEGMENT	LIFE SEGMENT	OTHERS SEGMENT	TOTAL
2. Issue premium	-	-	-	-
3. Reserves	**1,026,721**	**500,763**	-	**1,527,484**
4. *Less*: Shares and holdings in own assets	-	-	-	-
5. Earnings of previous financial years	-	-	-	-
6. Other shareholder contributions	-	-	-	-
7. Financial year result attributed to the Parent Company	**104,934**	**233,561**	**2,001**	**340,496**
a) Consolidated Losses and Profits	104,934	233,561	2,001	340.496
b) Losses and Profits attributable to external partners	-	-	-	-
8. *Less*: Interim dividend	-	**(240,000)**	-	**(240,000)**
9. Other net equity instruments	-	-	-	-
Adjustments for changes in value	-	**158**	-	**158**
1. Financial assets available for sale	-	158	-	158
2. Hedging operations	-	-	-	-
3. Exchange differences	-	-	-	-
4. Corrections of accounting mismatches	-	-	-	-

NET ASSETS AND LIABILITIES	Figures in Thousands of euros			
	NON-LIFE SEGMENT	LIFE SEGMENT	OTHERS SEGMENT	TOTAL
5. Companies valued by the equity method	-	-	-	-
6. Other adjustments	-	-	-	-
Subsidies, donations and legacies received	-	-	-	-
NET ASSETS ATTRIBUTABLE TO THE PARENT COMPANY	1,131,655	1,841,944	2,001	2,975,600
MINORITY INTERESTS	-	-	-	-
TOTAL NET ASSETS AND LIABILITIES	1,148,590	58,683,071	2,868	59,834,529

VIDACAIXA, S.A.U. DE SEGUROS Y REASEGUROS Y SOCIEDADES DEPENDIENTES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

A) CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSES

	Figures in Thousands of euros	
	2016 Financial Year	**2015 Financial Year (*)**
A) CONSOLIDATED PROFIT/LOSS FOR THE YEAR	**492,320**	**340,496**
B) OTHER RECOGNISED INCOME (EXPENSES)	**(3,591)**	**16**
Items that will be transferred to the profit and loss account in the next periods:	**(3,591)**	**16**
1. Financial assets available for sale:	**(5,130)**	**22**
a) Profit/(Loss) through valuation	(5,130)	22
b) Sums transferred to the profit and loss account	-	-
c) Other reclassifications	-	-
2. Cash-flow hedges:	**-**	**-**
a) Profit/(Loss) through valuation	-	-
b) Sums transferred to the profit and loss account	-	-
c) Sums transferred to the initial value of hedged items	-	-
c) Other reclassifications	-	-

	Figures in Thousands of euros	
	2016 Financial Year	2015 Financial Year (*)
3. Hedge of net investments in foreign operations:	**-**	**-**
a) Profit/(Loss) through valuation	-	-
b) Sums transferred to the profit and loss account	-	-
c) Other reclassifications	-	-
4. Exchange rate differences:	**-**	**-**
a) Profit/(Loss) through valuation	-	-
b) Sums transferred to the profit and loss account	-	-
c) Other reclassifications	-	-
5. Correction of accounting mismatches:	**-**	**-**
a) Profit/(Loss) through valuation	-	-
b) Sums transferred to the profit and loss account	-	-
c) Other reclassifications	-	-
6. Assets held for sale:	**-**	**-**
a) Profit/(Loss) through valuation	-	-
b) Sums transferred to the profit and loss account	-	-
c) Other reclassifications	-	-

	Figures in Thousands of euros	
	2016 Financial Year	2015 Financial Year (*)
7. Actuarial Profits/(Loss) through long-term remuneration to personnel	**-**	**-**
8. Companies valued by the equity method:	**-**	**-**
a) Profit/(Loss) through valuation	-	-
b) Sums transferred to the profit and loss account	-	-
c) Other reclassifications	-	-
9. Other recognised income and expenses	**-**	**-**
10. Corporate Income Tax	**1,539**	**(6)**
Items that will not be transferred to the profit and loss account in the next periods:	**-**	**-**
11. Actuarial Profit/(Loss) in pension plans	**-**	**-**
a) Profit/(Loss) through valuation	-	-
b) Amounts transferred to reserves	-	-
TOTAL RECOGNISED INCOME/(EXPENSES) (A + B)	**488,729**	**340,512**
a) Attributed to the Parent Company	488,729	340,512
b) Attributed to minority interests	-	-

(*) Presented solely and exclusively for purposes of comparison (see Note 2.e).

Notes 1 to 22 in the attached Report and Annexes 1 to 3 form an integral part of the Consolidated Statement of Recognised Income and Expenses corresponding to the 2016 financial year.

VIDACAIXA, S.A.U. DE SEGUROS Y REASEGUROS Y SOCIEDADES DEPENDIENTES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

B) CONSOLIDATED STATEMENTS OF NET CHANGES IN EQUITY

	Figures in Thousands of euros									
	Equity attributable to the Parent Company								Minority interests	Total net equity
	Own Funds						Adjustments for changes in value	Subsidies, donations and legacies received		
	Capital or mutual fund	Issue premium and reserves	Shares and holdings in own assets	Financial year result attributed to the Parent Company	(Interim dividends)	Other net equity instruments				
Final balance at 31 December 2014 (*)	**1,347,462**	**1,536,755**	**-**	**871,616**	**(730,000)**	**-**	**142**	**-**	**1,087**	**3,027,062**
Adjustments through change of accounting principle	-	-	-	-	-	-	-	-	-	-
Adjustments for errors	-	-	-	-	-	-	-	-	-	-
Adjusted balance at 01 January 2015	**1,347,462**	**1,536,755**	**-**	**871,616**	**(730,000)**	**-**	**142**	**-**	**1,087**	**3,027,062**
I. Total Recognised Income/(Expenses) for 2015 financial year	**-**	**-**	**-**	**340,496**	**-**	**-**	**16**	**-**	**-**	**340,512**
II. Transactions with shareholders or owners	**-**	**(148,852)**	**-**	**-**	**(240,000)**	**-**	**-**	**-**	**(1,087)**	**(389,939)**
1. Capital increases/(reductions)	-	-	-	-	-	-	-	-	-	-
2. Conversion of financial liabilities into shareholders' equity	-	-	-	-	-	-	-	-	-	-
3. Payment of dividends	-	-	-	-	(240,000)	-	-	-	-	(240,000)

	Figures in Thousands of euros									
	Equity attributable to the Parent Company									
	Own Funds									
	Capital or mutual fund	Issue premium and reserves	Shares and holdings in own assets	Financial year result attributed to the Parent Company	(Interim dividends)	Other net equity instruments	Adjustments for changes in value	Subsidies, donations and legacies received	Minority interests	Total net equity
4. Operations with shares or holdings in own assets (net)	-	-	-	-	-	-	-	-	-	-
5. Increases/(Reductions) through business combinations	-	-	-	-	-	-	-	-	-	-
6. Other transactions with shareholders or owners	-	(148,852)	-	-	-	-	-	-	(1,087)	(149,939)
III. Other changes in net equity	**-**	**139,581**	**-**	**(871,616)**	**730,000**	**-**	**-**	**-**	**-**	**(2,035)**
1. Payments based on equity instruments	-	-	-	-	-	-	-	-	-	-
2. Transfers between net equity items	-	141,616	-	(871,616)	730,000	-	-	-	-	-
3. Other changes	-	(2,035)	-	-	-	-	-	-	-	(2,035)
Final balance at 31 December 2015 (*)	**1,347,462**	**1,527,484**	**-**	**340,496**	**(240,000)**	**-**	**158**	**-**	**-**	**2,975,600**
Adjustments through change of accounting principle	-	-	-	-	-	-	-	-	-	-
Adjustments for errors	-	-	-	-	-	-	-	-	-	-
Adjusted balance at 01 January 2016	**1,347,462**	**1,527,484**	**-**	**340,496**	**(240,000)**	**-**	**158**	**-**	**-**	**2,975,600**
I. Total Recognised Income/(Expenses) for 2016 financial year	**-**	**-**	**-**	**492,320**	**-**	**-**	**(3,591)**	**-**	**-**	**488,729**

	Figures in Thousands of euros									
	Equity attributable to the Parent Company								Minority interests	Total net equity
	Own Funds						Adjustments for changes in value	Subsidies, donations and legacies received		
	Capital or mutual fund	Issue premium and reserves	Shares and holdings in own assets	Financial year result attributed to the Parent Company	(Interim dividends)	Other net equity instruments				
II. Transactions with shareholders or owners	**-**	**-**	**-**	**-**	**(442,000)**	**-**	**-**	**-**	**-**	**(442,000)**
1. Capital increases/(reductions)	-	-	-	-	-	-	-	-	-	-
2. Conversion of financial liabilities into shareholders' equity	-	-	-	-	-	-	-	-	-	-
3. Payment of dividends	-	-	-	-	(442,000)	-	-	-	-	(442,000)
4. Operations with shares or holdings in own assets (net)	-	-	-	-	-	-	-	-	-	-
5. Increases/(Reductions) through business combinations	-	-	-	-	-	-	-	-	-	-
6. Other transactions with shareholders or owners	-	-	-	-	-	-	-	-	-	-
III. Other changes in net equity	**-**	**28,388**	**-**	**(340,496)**	**312,000**	**-**	**-**	**-**	**-**	**(108)**
1. Payments based on equity instruments	-	-	-	-	-	-	-	-	-	-
2. Transfers between net equity items	-	28,496	-	(340,496)	312,000	-	-	-	-	-
3. Other changes	-	(108)	-	-	-	-	-	-	-	(108)
Final balance at 31 December 2016	**1,347,462**	**1,555,872**	**-**	**492,320**	**(370,000)**	**-**	**(3,433)**	**-**	**-**	**3,022,221**

(*) Presented solely and exclusively for purposes of comparison (see Note 2.e).

Notes 1 to 22 in the accompanying Report and in Annexes 1 to 3 form an integral part of the Consolidated Statement of Changes in Equity at 31 December 2016.

VIDACAIXA, S.A.U. DE SEGUROS Y REASEGUROS Y SOCIEDADES DEPENDIENTES

CONSOLIDATED CASH FLOW STATEMENTS (DIRECT METHOD)

	Figures in Thousands of euros	
	2016 Financial Year	**2015 Financial Year**
A) CASH FLOW OF OPERATING ACTIVITIES (1+2+3)	**3,264,607**	**(421,512)**
1. Insured activity:	**4,132,150**	**224,974**
(+) Cash collections from insurance activity	9,421,851	7,095,708
(-) Cash payments from insurance activity	(5,289,701)	(6,870,734)
2. Other operating activities:	**(773,185)**	**(646,486)**
(+) Cash collections from other operating activities	212,453	188,043
(-) Cash payments from other operating activities	(985,638)	(834,529)
3. Receipts/(payments) for profit tax	**(94,358)**	**-**
B) CASH FLOW OF INVESTMENT ACTIVITIES (1 + 2)	**(3,026,607)**	**1,155,294**
1. Collections from investment activities:	**16,276,772**	**87,497,264**
(+) Tangible fixed assets	-	-
(+) Property investments	-	3
(+) Intangible fixed assets	-	-

	Figures in Thousands of euros	
	2016 Financial Year	2015 Financial Year
(+) Financial instruments	13,232,598	84,779,895
(+) Holdings	140	2,884
(+) Subsidiaries and other business units	2,896,787	2,617,618
(+) Interest received	75,282	78,870
(+) Dividends received	-	-
(+) Other payments related to investment activities	71,965	17,994
2. Payments from investment activities:	**(19,303,379)**	**(86,341,970)**
(-) Tangible fixed assets	(3,394)	(2,898)
(-) Property investments	(19)	-
(-) Intangible fixed assets	(28,143)	(10,585)
(-) Financial instruments	(19,271,823)	(86,324,991)
(-) Holdings	-	(2,000)
(-) Subsidiaries and other business units	-	-
(-) Other payments related to investment activities	-	(1,496)
C) CASH FLOWS OF FINANCING ACTIVITIES (1 + 2)	**(10,937,948)**	**(639,300)**
1. Collections from financing activities:	**13,129,184**	**66,774,595**

	Figures in Thousands of euros	
	2016 Financial Year	2015 Financial Year
(+) Subordinated liabilities	-	-
(+) Collections through issue of asset and capital enlargement instruments	-	-
(+) Asset apportionment and contributions of shareholders or policyholders	-	-
(+) Transfer of own securities	-	-
(+) Other collections related to financing activities	13,129,184	66,774,595
2. Payments from financing activities:	**(24,067,132)**	**(67,413,895)**
(-) Dividends paid to the shareholders	(639,000)	(44,000)
(-) Interest paid	-	-
(-) Subordinated liabilities	-	-
(-) Payments through repayment of contributions to shareholders	-	(150,585)
(-) Liability assessments and repayment of contributions to shareholders or policyholders	-	-
(-) Acquisition of own securities	-	-
(-) Other payments related to financing activities	(23,428,132)	(67,219,310)
D) EFFECT OF CHANGES IN EXCHANGE RATES	**-**	**-**
E) NET INCREASE/(DECREASE) OF CASH AND CASH EQUIVALENTS (A + B + C+ D)	**(10,699,948)**	**94,482**
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	**11,569,073**	**11,474,591**
G) CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR (E + F)	**869,125**	**11,569,073**

ELEMENTS OF CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	Figures in Thousands of euros	
	2016 Financial Year (*)	2015 Financial Year (*)
(+) Cash and banks	562,619	368,990
(+) Other financial assets	306,506	11,200,083
(-) *Less: Bank overdrafts payable on demand*	-	-
TOTAL CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	**869,125**	**11,569,073**

(*) Presented solely and exclusively for purposes of comparison in all applicable captions (Refer to Note 2.e).

Notes 1 to 22 of the attached Report and Annexes 1 to 3 form an integral part of the Consolidated Cash Flow Statement corresponding to the 2016 financial year.

VIDACAIXA, S.A.U. DE SEGUROS Y REASEGUROS Y SOCIEDADES DEPENDIENTES (VIDACAIXA GROUP)

ANNUAL CONSOLIDATED ACCOUNTS REPORT CORRESPONDING TO THE FINANCIAL YEAR ENDING 31 DECEMBER 2016

In accordance with the current standards on the content of annual consolidated accounts, this Report completes, extends and discusses the balance, the profit and loss account, the statement of changes in equity and the consolidated cash flow statement (hereinafter, “the consolidated financial statements”), and with them forms a unit, with the aim of showing the true image of the assets and of the financial situation of the consolidated VidaCaixa group at 31 December 2016 (hereinafter VidaCaixa Group), as well as the results of its operations, of the changes in equity and consolidated cash flows, which were produced in the financial year that ended on that date.

1. GENERAL INFORMATION ON THE PARENT COMPANY AND ITS ACTIVITIES

A) CORPORATE PURPOSE, LEGAL FRAMEWORK AND BRANCHES OF OPERATION

VidaCaixa, S.A.U. de Seguros y Reaseguros (hereinafter, VidaCaixa, S.A.U. or Parent Company) was incorporated by public deed on 5 March 1987 in Spain pursuant to the Capital Companies Act. Until 15 December 2014, the registered address of the Parent Company was located in Carrer de Juan Gris 20-26, Barcelona. As of said date, the registered address changed to Carrer de Juan Gris 2-8, Barcelona. The Parent Company is registered in the Mercantile Register of Barcelona.

Its corporate purpose is to perform life insurance and reinsurance operations, as well as other operations subject to the administration of private insurance, especially insurance or capitalisation operations, the management of collective retirement funds, pensions and any others approved by the Law on Administration, Supervision and Solvency of Insurance and Reinsurance Companies, its Regulations and complementary provisions to which the Group is subject, once the requirements set forth therein have been fulfilled. It operates, with the authorisation of the Directorate General of Insurance and Pension Funds (hereinafter, DGIPF), in the branches of life, accidents and illness. It also manages individual and collective pension funds when they are used to award services to its participants for risks related to human lives.

In the 2013 financial year, the Insurance Group was reorganised in order to simplify its organisational structure. Thus, on 5 March 2013, the Boards of Directors of the VidaCaixa Grupo, S.A.U. and VidaCaixa, S.A.U., approved the merger by absorption project by means of which the latter absorbed VidaCaixa Grupo, S.A.U.

Prior to the merger, VidaCaixa Grupo transferred its 49.9% share in SegurCaixa Adeslas, S.A. de Seguros y Reaseguros (hereinafter, SegurCaixa Adeslas) to VidaCaixa, S.A.U. by means of a non-monetary contribution. On 26 March 2013, as part of the Insurance Group's restructuring process, VidaCaixa, S.A.U. acquired Banca Cívica's life insurance companies: CaixaBank, S.A. and Grupo Corporativo Empresarial de la Caja de Ahorros y Monte de Piedad de Navarra, S.A. (Single-Shareholder Company) (See Note 10).

As a result of the whole process, VidaCaixa, S.A.U. became the Group's parent company and the one that holds the shares.

On 29 April 2015, VidaCaixa, S.A.U. sold AgenCaixa, S.A. Agencia de Seguros, Single-Shareholder Company, to SegurCaixa Adeslas for 2,696 thousand euros.

On 29 May 2015, the General Assembly of the la Caixa, A.I.E. Insurance Group unanimously agreed to the dissolution and liquidation of the company, which came into effect on 26 June 2015 through the payment of the resulting amount to its shareholders.

At 31 December 2016, 100% of the shares of VidaCaixa, S.A.U. belonged to CaixaBank, S.A., conferring its single shareholder status upon it.

On this same date, Criteria Caixa, S.A.U. is the majority shareholder of CaixaBank, S.A. with a share of 45.32% (56.76% on 31 December 2015). Criteria Caixa, S.A.U. is owned 100% by the Caixa d'Estalvis i Pensions de Barcelona Banking Foundation, "la Caixa".

The Group directly conducts the insurance activity or associated activities that have the corresponding administrative authorisation. In this case it is the DGIPF that carries out the functions assigned under current provisions to the Ministry of Economy and Competitiveness concerning private insurance and reinsurance, insurance mediation, capitalisation and pension funds.

Until 31 December 2012, the VidaCaixa Group was voluntarily formulating consolidated annual accounts, being exempt from doing the same pursuant to the applicable regulations. As a consequence of the aforementioned reorganisation of the Insurance Group, VidaCaixa, S.A.U. formulates Consolidated Annual Accounts, in accordance with article 43.bis of the Commercial Code, as it controls investee subsidiary companies. The Parent company, as head of the Group, has decided to continue voluntarily applying the legislation of the European Union using the adopted international standards on financial information for the purposes of consolidation.

The Group, via its Parent Company and the insurance companies in which it participates, operates in the following branches: Automobile, Accidents, Illness (including Healthcare), Life, Death, Legal Defence, Home, Fire and Elements of Nature, Transported Merchandise, Other Damage to Goods, Various Pecuniary Losses, General Third-Party Liability, Terrestrial Vehicle and Non-Railway Terrestrial Vehicle Third-Party Liability.

Given the activities of the Companies of the Group, it has no environmental responsibilities, expenses, assets or provisions and contingencies that might be significant with respect to their worth, financial situation and the results thereof. This report therefore contains no specific breakdowns of the annual accounts in relation to information on environmental issues.

At 31 December 2016, the Group managed 168 pension funds and 4 Voluntary Social Welfare Entities (EPSVs with their Spanish initials) with a volume of consolidated rights of 25,188,841 thousand euros (23,155,481 thousand euros at 31 December 2015). The gross income accrued through management fees of the various funds rose to 202,706 thousand euros during the financial year 2016 (178,942 thousand euros in the financial year 2015) and is recorded under the caption 'Result from Other Activities — Other Income'. Also, the expenses associated with said management were 106,779 thousand euros (86,798 thousand euros in 2015), appearing under the caption "Result from other activities — Other expenses".

B) INTERNAL STRUCTURE AND DISTRIBUTION SYSTEMS

VidaCaixa, S.A.U. directs and manages its share in the share capital of other companies by means of the corresponding organisation of personal and material means. When the holding in the capital of these companies allows, the Parent Company directs and controls them, by means of the ownership of its company management bodies or through providing management and administration services to these companies.

The Group markets different life and non-life insurance products and pension plans.

With regard to its mediation channels, the Group markets its products principally through the distribution network of the credit entity CaixaBank, S.A., which has been established as an exclusive banking-insurance operator of the Parent Company VidaCaixa, S.A.U. de Seguros y Reaseguros, authorised to market the insurance policies of SegurCaixa Adeslas, S.A. Also, the Parent Company holds agency contracts linked to the Consumer Credit Finance company of the CaixaBank Group, called Caixabank Consumer Finance, E.F.C., S.A.U. and an agency contract with freedom to provide services with BMW Bank GmbH Spain Branch. Finally, the parent company has also concluded contracts to provide services for distributing the insurance products of other insurance companies, under the responsibility of these companies, through its distribution network CaixaBank S.A. The marketing of products is also carried out through the insurance mediation activity conducted by insurance brokers and other associated insurance agents.

Similarly, the Group, basically via VidaCaixa Mediación, S.A.U. also holds service contracts for distributing the insurance products of other insurance companies, under the responsibility of the latter, through its distribution network.

C) CONSUMER OMBUDSMAN

As regulated in the Regulations for Consumer Protection of Grupo CaixaBank, S.A., the channels for claims established in the Group are the Customer Protector and Customer Services. No file was ever handed to the latter in 2016, since Customer Services are competent if the Protector is declared incompetent on the grounds set forth in the aforesaid Regulations.

141 claims were filed with the Consumer Ombudsman in 2016. 131 claims were resolved, 126 of them having been filed in 2016 and the other 5 were pending processing from 2015. Of the claims filed during the 2016 financial year, 15 remained pending processing, to be resolved in 2017.

The types of claim submitted were as follows:

Subjects of claims	Number
- Passive operations	-
- Active operations	-
- Collection and payment services	-
- Insurance policies and pension funds	146
Pending processing	**15**
Total accepted	**120**
Not accepted	**11**
Total 2016	**146**

From the analysis made of the answers given to customers, we obtain the following classification:

Type of resolution	Number
- Not accepted	11
- Upheld	14
- Rejected	99
- Levelling by the entity	7
- Pending resolution	15
Total 2016	**146**

The decision-making criteria used by the Service are taken basically from the sense of the resolutions given by the Directorate General of Insurance and Pension Funds in similar cases, and in cases where this reference does not exist, the reply is issued with the advice of the Legal Services of the Parent Company, depending on the specific circumstances behind the claim.

2. BASIS OF PRESENTATION AND CONSOLIDATION PRINCIPLES

A) FINANCIAL REPORTING STANDARDS APPLICABLE TO THE GROUP

These consolidated accounts were prepared by the Board of Directors in accordance with the financial reporting standards applicable to the Group, which are established in:

a) The Commercial Code and all other commercial legislation.

b) The International Financial Reporting Standards (hereinafter, IFRS) adopted by the European Union through Regulation 1606/2002 of the European Parliament and the Council, of 19 July 2002, in addition to subsequent amendments.

c) The mandatory regulations approved by the Accounting and Auditing Institute in the implementation of the General Accounting Plan and the complementary regulations thereof.

d) Spanish Law 20/2015, of 14 July, on Administration, Supervision and Solvency of Insurance and Reinsurance Companies (“LOSSEAR” for its Spanish initials).

e) Royal Decree 1060/2015, of 20 November, on Administration, Supervision and Solvency of Insurance and Reinsurance Companies (“ROSSEAR” for its Spanish initials), as well as the current articles of Royal Decree 2486/1998 of 20 November, approving the Regulation on the Administration and Supervision of Private Insurance (hereinafter, “ROSSP” for its Spanish initials).

B) TRUE AND FAIR VIEW

The consolidated annual accounts for the 2016 financial year have been prepared in accordance with the applicable financial reporting standards and, in particular, the accounting principles and criteria contained therein.

The consolidated annual accounts were prepared using the accounting records held by VidaCaixa, S.A.U. and by the other Group companies, and include certain adjustments and reclassifications in order to standardise the principles and criteria adopted by the subsidiaries with those of VidaCaixa, S.A.U.

As recommended by IAS 1, the assets and liabilities are generally classified in the balance sheet according to their liquidity, but without classifying assets and liabilities as current and non-current, which is more relevant in the case of insurance groups. Similarly to the other insurance company groups, certain expenses are classified in the losses account and are presented according to their application.

At 31 December 2016, the currency in which the Group accounts were presented was the euro.

All amounts are expressed in thousands of euros, unless the use of a different monetary unit is explicitly stated. Certain financial information in these accounts has been rounded up, and consequently the figures expressed as totals in this document may vary slightly from the exact arithmetical operation of the figures that precede them.

Note 3 provides a summary of the most significant accounting principles and valuation rules applied in the preparation of the consolidated annual accounts of the Group for the 2016 financial year.

C) RESPONSIBILITY FOR THE INFORMATION

The information contained in these annual consolidated accounts is the responsibility of the Directors of the Parent Company, which has verified, with due diligence, that the different controls established to ensure the quality of the financial-accounts information, by both the Parent Company and the subsidiaries, have operated efficiently.

Drawing up annual accounts in accordance with IFRS requires that the Directors make judgements, estimates and assumptions that affect the application of accounting policies and the balances of assets, liabilities, income and expenses. Said estimates and assumptions are based on historic experience and on various other factors that are deemed reasonable according to the circumstances and whose results constitute a basis for making judgements on the book value of the assets and liabilities that are not easily available through other sources.

Respective estimates and assumptions are continually revised; the effects of the revisions of the accounting estimates are recognised in the period during which they are carried out, where these solely affect that period, or during the period of the revision and after, where the revision affects these. In any case, the final results derived from a situation which required estimates may differ from what is expected and, prospectively, reflect on the final effects.

In addition to the process of systematic estimates and their periodic revision, the Directors of the Parent Company shall make certain value judgements on issues with a significant impact on the consolidated annual accounts. Included among the most significant are judgements and estimations made on the fair value of certain assets and liabilities, losses through impairment, the useful life of the tangible and intangible assets, the valuation of the consolidated goodwill, the register of deferred tax liabilities, the hypotheses used in the calculation of the suitability test of liabilities and the hypotheses used to allocate part of the non-realised capital gains in the financial investment portfolios allocated as “available for sale” and at “fair value with changes in profit and loss” as the greater amount of the life insurance reserves.

D) NEW ACCOUNTING PRINCIPLES AND POLICIES APPLIED TO THE GROUP’S CONSOLIDATED ANNUAL ACCOUNTS

Standards and interpretations issued by the International Accounting Standards Board (IASB) that came into effect in the 2016 financial year

On the date of preparing these consolidated annual accounts, the most significant rules that have entered into force are the following:

Standards and Interpretations	Title	Mandatory application for financial years beginning as of:
Approved for application in the EU		
Modification of IAS 19	*Defined benefit plans: employee contributions*	*01 January 2016*
Modification of IAS 1	*Disclosure initiative*	*01 January 2016*
Modification of IAS 16 and IAS 38	*Clarification of acceptable methods of depreciation and amortisation*	*01 January 2016*
Modification of IFRS 11	*Accounting for acquisitions of interests in joint operations*	*01 January 2016*
Modification of IAS 27	*Equity method in separate financial statements*	*01 January 2016*

Modification of IAS 19: 'Employee contributions to defined benefit plans'.

This modification is issued to facilitate the possibility of deducting employees' contributions to defined benefit plans from the cost of the service in the same period in which they are paid, if certain requirements are met, without having to make calculations to attribute the reduction for each year of service. The contributions of employees or third parties established in the formal terms of a benefits plan will be recorded as follows:

- If the contribution is independent of the number of years of service, it may be recognised as a reduction of the cost of the service in the same period in which it is paid (it is an accounting option that must be applied consistently over time).

- If the contribution depends on a specific number of years of service it must be attributed to these periods of service.

Modification of IAS 1 'Presentation of financial statements'.

This modification is issued for the purpose of strengthening the application of judgement in disclosures of financial information. With regards to materiality, this applies to all items in the financial statements without distinction, it not being necessary to disclose immaterial information.

Furthermore, the captions of the statement of financial position and the income statement can be aggregated or disaggregated according to the relevance of the same.

Finally, with regards to the order of the notes, it will not be necessary to follow the order suggested in paragraph 114 of IAS 1.

Modification of IAS 16 and 38: 'Acceptable depreciation and amortisation methods'.

Said modification, which will be applied prospectively, clarifies that revenue-based depreciation methods are not permitted, as they do not reflect the expected pattern of consumption of future economic benefits of an asset.

Modification of IFRS 11 "Acquisition of interests in joint operations".

Said modification, which will be applied prospectively, requires that when the joint operation is a business, the acquisition method of IFRS 3 "Business combinations" will be applied. It has not been specifically dealt with up to now.

Modification of IAS 27: 'Equity method in separate financial statements'.

The modification will allow the equity method to be used in the accounting record in the separate financial statements of the shares in joint ventures, subsidiary and associated companies.

Standards and interpretations issued by the IASB not in force

On the date of drafting these annual consolidated accounts, the following are the most significant standards and interpretations published by the IASB but which have yet to come into effect, either because their effective date is subsequent to the date of the consolidated annual accounts, or because they still have not been approved by the European Union.

Standards and Interpretations	Title	Mandatory application for financial years beginning as of:
Approved for application in the EU		
IFRS 9	*Financial instruments*	*01 January 2018*
IFRS 15	*Revenue from ordinary activities arising from contracts with customers*	*01 January 2018*
Not approved for application		
IFRS 16	*Leases*	*01 January 2019*
Modification of IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*	*01 January 2018*
Modification of IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*	*01 January 2017*
Modification of IAS 7	*Disclosure initiative*	*01 January 2017*
Modification of IFRS 2	*Classification and Measurement of Share-Based Payment Transactions*	*01 January 2018*
Modification of IAS 40	*Investment Property*	*01 January 2018*
Interpretation IFRIC 22	*Foreign Currency Transactions and Advance Consideration*	*01 January 2018*

The Group has decided not to exercise the option of early application, if possible. Furthermore, the Group is currently analysing all future impacts of adopting these standards, in particular IFRS 9 and IFRS 16, and it is not possible to supply a reasonable estimate of its effects until said analysis is complete.

Approved for application in the EU

IFRS 9 'Financial Instruments: Classification and measurement'.

IFRS 9 replaces the current part on the classification and measurement of financial instruments of IAS 39. Very significant differences exist compared to the current standard with regard to financial assets. These include, among other things, the approval of a new classification model based on two unique categories of amortised cost and fair value, the disappearance of the current classifications of "Held to maturity investments" and "Financial assets available for sale", impairment analysis of assets measured at amortised cost and the non-bifurcation of derivatives embedded in financial asset contracts.

With regard to financial liabilities, the classification categories proposed by IFRS 9 are similar to those that currently already exist in IAS 39, so that no very significant differences should exist except for the requirement to record variations in the fair value that are related to credit risk as a component of equity, in the case of the financial liabilities of the fair value option.

IFRS 15 'Revenue from contracts with customers'.

This standard substitutes the current IAS 11 "Construction contracts" and IAS 18 "Revenue" standards, as well as the current interpretations about revenue (IFRIC 13 "Customer loyalty programmes", IFRIC 15 "Agreements for the construction of real estate", IFRIC 18 "Transfers of assets from customers", and IAS 31 "Revenue – Barter Transactions Involving Advertising Services"). The new IFRS 15 standard is much more restrictive and based on rules, and therefore the application of the new requirements may give rise to changes in the revenue profile.

The Group is currently analysing all future impacts of adopting this standard and it is not possible to supply a reasonable estimate of its effects until said analysis is complete.

Not approved for application in the EU

IFRS 16 'Leases'.

This standard replaces the current IAS 17 'Leases', as well as the current interpretations on leases (IFRIC 4 'Determining whether an arrangement contains a lease', IAS 15 'Operating leases - Incentives' and IAS 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease').

IFRS 16 establishes the principles for the recognition, measurement, presentation and disclosure of leases. The objective of this standard is to ensure that lessees and lessors provide relevant information that faithfully represents those transactions. For the lessee, IFRS 16 proposes a single model, in which all leases are recorded in the balance sheet and have an impact similar to the current financial leases (amortisation of the right of use and financial expenditure for the amortized cost of the liability). However, for the lessor the proposal is to continue with the dual model, similar to the current IAS 17.

Modification to IFRS 4 'Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts'

In September 2016, the IASB issued this modification to address the concerns arising from the different effective dates of the IFRS 9 and the upcoming Standard on insurance contracts, by introducing:

a) an optional overlay approach that allows insurers to reclassify, between the P&L for the period and other comprehensive income (OCI), an amount equal to the difference between the amount presented in the P&L for the period for designated financial assets by applying IFRS 9, and the amount that would have been presented in the P&L for the period for those assets if the company had applied IAS 39; and

b) an optional temporary exemption of IFRS 9 for insurers whose activities are predominantly connected with insurance. In this way, IFRS 9 would apply simultaneously with IFRS 17 up until 1 January 2021.

Some stakeholders have suggested that the IASB should allow all insurers to defer the application of IFRS 9. These expressed their concern that two sets of important accounting changes in a short period of time could give rise to a significant cost and effort for those preparing and using the financial statements. Furthermore, the application of IFRS 9 before the future Standard on insurance contracts may lead to volatility and accounting asymmetries in the profit and loss account and OCI.

On the current date, the Group is analysing the two options arising from this modification.

Modification to IAS 12 'Recognition of Deferred Tax Assets for Unrealised Losses'

Through these modifications, the IASB clarifies, among other aspects, the following:

- Decreases below cost in the carrying amount of a fixed-rate debt instrument measured at fair value for which the tax base remains at cost, give rise to a deductible temporary difference. This applies irrespective of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use, in other words, continuing to hold it, or whether it is probable that the issuer will pay all the contractual cash flows. Normally, the collection of the entire principal does not increase or decrease taxable profit that is reported for tax purposes, because the tax base equals the inflow of taxable economic benefits when the principal is paid.

- When an entity assesses whether tax gains will be available against which they can use a deductible temporary difference, it will consider whether the tax legislation restricts the sources of the taxable gains against which the deductions can be made at the moment when this deductible temporary difference is reversed. If the tax legislation does not impose these restrictions, the entity will assess a deductible temporary difference in combination with all the others. However, if the tax legislation restricts the use of losses to be deducted against a specific type of income, a deductible temporary difference will be evaluated in combination with the appropriate type of income.

- The estimate of the probable future tax gains could include the recovery of some of an entity's assets for an amount higher than its carrying amount, if sufficient evidence exists of the likelihood of the entity accomplishing this. For example, when an asset is measured at fair value, the entity will consider whether there is sufficient evidence to conclude that it is likely to recover the asset for an amount higher than its carrying amount. This could be the case, for example, when an entity expects to maintain a debt instrument at a fixed rate and collect the contractual cash flows.

Amendment to IAS 7 'Disclosure Initiative'

In January 2016, the IASB amended IAS 7 to require entities to provide information that enables users of financial statements to assess changes in the liabilities arising from financing activities, including both those derived from cash flows and those that do not involve cash flows. To do this, it may be necessary to disclose (i) changes derived from cash flows for financing, (ii) the changes that arise from the acquisition or loss of control of subsidiaries or other businesses, (iii) the effect of variations in the exchange rates of the foreign currency, (iv) changes in the fair values, and (v) other changes.

Modification of IFRS 2 'Classification and Measurement of Share-Based Payment Transactions'

Situations exist in which a share-based payment, settled in cash, is modified, cancelled and replaced with a new share-based payment that is settled with equity instruments and, on the replacement date, the fair value of the replacement incentives is different to the value recognized for the original incentives. Prior to issuing the modification, there was diversity in the way in which institutions accounted for such modifications.

Through these modifications, the IASB requires that a share-based payment transaction that is settled with equity instruments is recognised as equity insofar as the goods or services were received on the date of the modification. This measurement will be made by reference to the fair value on the date when the granted equity instruments are modified.

The liability for the share-based payment, which was originally settled in cash, will be written off on the modification date, given that it is deemed settled when the entity grants the share-based payment that will be settled with equity instruments instead of cash. This is because, on the modification date, the entity is no longer obliged to transfer cash (or other assets) to the counterparty. Any difference between the carrying amount of the liability that has been written-off and the equity amount recognised on the modification date, will be recognised immediately in the profit and loss for the period.

Modification of IAS 40: 'Investment Property'

The modification, which will be applied prospectively, clarifies the principles for making transfers to or from investment property when, and only when, there is a change in its use and this change involves an analysis as to whether the property meets the definition of investment property. The change in use should be made evident.

IFRIC 22: 'Foreign Currency Transactions and Advance Consideration'

This interpretation provides an explanatory guide on the exchange rate to be used in transactions that involve an advance consideration (paid or received) in a foreign currency.

E) COMPARISON OF INFORMATION AND CORRECTION OF ERRORS

It is a requirement of the International Financial Reporting Standards that information presented between both periods should be homogeneous. The consolidated annual accounts of the 2016 financial year present, for comparative purposes, all the items of the balance sheet, of the profit and loss account, of the statement of changes in the equity, of the cash flow statement and of the consolidated report for the 2015 financial year.

F) CONSOLIDATION PRINCIPLES

The Group's consolidation scope was defined according to the provisions of IFRS 10 "Consolidated Financial Statements", and IAS 28 "Investments in Associates" (See Annex I).

In addition to the data corresponding to the Parent Company, the consolidated annual accounts contain information corresponding to the subsidiary, multi-group and associated companies. The procedure for integrating the equity of such companies was implemented in accordance with the control or influence exercised over them, as described below:

Subsidiaries

Considered as subsidiaries are those companies in which, regardless of their legal form, the Group has control over, i.e. the power to direct their financial and operating policies, in order to obtain benefits from their activities.

In Annex 1 to this Report, relevant information is provided on such companies and in Note 5 of the Report, information is provided on the most significant variations that occurred during the 2016 financial year.

The annual accounts of subsidiary companies are consolidated with those of VidaCaixa, S.A.U. by applying the global integration method, which consists of adding the assets, liabilities and equity, revenue and expenditure, of a similar nature, that appears in their individual annual accounts, duly standardised in order to comply with the IFRS. The book value of shareholdings, direct and indirect, in the capital of subsidiary companies is eliminated applying the fraction of the equity of the subsidiary companies they represent. The remaining balances and significant transactions between the consolidated companies are eliminated in the consolidation process. Furthermore, the shareholdings of third parties in the assets of the Group and in the financial results are presented under the captions of "Minority interests" in the consolidated balance sheet and "Profit/loss attributed to minority interests" in the consolidated profit and loss account, respectively.

The individual financial statements of the Parent Company and the subsidiaries, used to prepare the consolidated financial statements, refer to the same date of presentation that corresponds to the annual financial close of each financial year.

The consolidation of the results generated by the companies acquired in a financial year is performed taking into consideration only those relative to the period between the acquisition date and the close of that financial year. In the case of subsidiaries which cease to be independent, the results are incorporated until the date they cease to be a subsidiary of the Group.

In those cases where an increase is produced in the voting rights of a subsidiary over which the Group already has control, a calculation is made of the difference between the cost of the new acquisition and the portion of the additional equity acquired according to the value to which they appear in the consolidated accounting statements.

None of the Companies indicated in Annex I are listed.

As an exception, the following companies have not been included in the consolidation scope, due to their insignificant interest for the true image of the consolidated annual accounts and have been classified in the "Financial assets available for sale - Variable income" portfolio:

Name	Registered Address	Activity	% Holding	Mutual Fund	Earnings		Technical reserves	Dividends received	Book value		
			Direct		Operations	Net			Cost	Impairment of financial year	Accumulated impairment
GeroCaixa Pyme EPSV de Empleo	Gran Vía López de Haro, 38. Bilbao	Voluntary Social Welfare Entity.	100.00%	50	212	212	24,464	-	53	-	-
GeroCaixa EPSV Individual	Gran Vía López de Haro, 38. Bilbao	Voluntary Social Welfare Entity.	100.00%	50	6,810	6,810	714,076	-	140	-	-
GeroCaixa Privada Pensiones EPSV Asociada	Gran Vía López de Haro, 38. Bilbao	Voluntary Social Welfare Entity.	100.00%	50	18	18	1,224	-	50	-	-

(figures in thousands of euros)

Said companies centre their activity around managing the commercial provident funds with domicile in the Basque Country. All of them are Unlisted Companies. The Group only participates in the Mutual Fund, the rest of the Equity being in the hands of the participants.

Associated companies

Associated companies are defined as non-subsidiary companies over which the Group has a significant influence, in other words, the Group may intervene in decisions on the financial and operating policy of the associated company without exercising absolute or joint control over the same.

As a general rule, it is assumed that the Group exercises significant influence if it possesses, directly or indirectly, 20% or more of the voting rights in the associated company, unless it can be clearly demonstrated that such influence does not exist.

Annex I provides significant information on such companies.

In the consolidated annual accounts, associated companies are valued by the equity method, according to which the investment is initially recorded at cost, and subsequently adjusted according to the changes in the portion of net assets of the company that corresponds to the Group. The Group's year result includes the portion which corresponds to it in the results of the associated companies, less any possible own shares maintained in the treasury stock of each associated company, once the dividends and other equity eliminations have been considered.

The portion of permanently interrupted operations (interrupted activities) corresponding to the Group are disclosed in a separate consolidated profit and loss account, while the corresponding portion in the changes which associated companies have recognised directly in equity is also directly recognised in the Group's equity, including this, wherever applicable, in the statement of recognised income and expenses.

When applying the equity method, the most recent available financial statements of the associated company are used.

If any associated company applies accounting policies different to those adopted by the Group, the appropriate adjustments are made to the financial statements of the associated company in order to standardise the accounting policies.

If there is any evidence of impairment in the value of the investment in the associated company, the impairment in value is firstly deducted from any possible goodwill that exists in the investment.

Note 5 of the Report provides information on the most significant acquisitions during the 2016 and 2015 financial years, in addition to the period between 31 December 2016 and the date on which the annual accounts of said financial year were prepared, increases in the share capital of companies with associated company status at the beginning of the financial year, and information on the sale of shareholdings.

G) COMPENSATION OF BALANCES

Compensation is made only to the creditor and debtor balances which originate from transactions which, contractually or to comply with a legal regulation, consider the possibility of compensation (consequently they are presented in the consolidated balance sheet by their net amount) and the intention exists to liquidate them for their net amount or to realise the asset and pay the liability simultaneously.

H) GROUPING OF ITEMS

Certain items of the balance sheet, of the profit and loss account, of the statement of changes in equity and the statement of cash flows are presented in groups so they are easier to understand. Insofar as it is significant, the disaggregated information has been included in the corresponding notes of the report.

I) FINANCIAL INFORMATION BY SEGMENTS

IFRS 8 – Operating segments establishes the principles to be followed for preparing financial information by line of business or geographical area.

The information by segments is structured according to the control, monitoring and internal management of the insurance activity and the results of the Group. It is constructed according to various insurance segments and sub-segments operated by the Group, influenced by its structure and organisation.

The Group has defined the business segments of Life Insurance, Non-life Insurance and Other Activities as the principal segments. The segment defined as Life Insurance includes all those insurance contracts which guarantee coverage of a risk which may affect the existence or physical well-being of the insured party. In contrast, the Non-life Insurance segment groups together all the insurance contracts different to Life ones and may be broken down into the sub-segments of Accidents and Illness, Household Multi-risk, Other Damage, Automobiles, Deaths and Miscellaneous.

The two main segments of Life Insurance and Non-life Insurance are subject to different types of risks and returns. The Other Activities segment is used to group together all the different operating activities that are additional to strictly insurance activities. This includes the activity of pension fund management.

Each insurance company which depends, either directly or indirectly, on the Group may operate in one or more sectors, associated to one or more main segments, according to the definition of sectors provided by the DGIPF. Note 1.a describes the different specific sectors in which the Group has administrative authorisation to operate.

The accounting policies of the segments are the same as those adopted for preparing and presenting the financial statements of the consolidated Group, including all the accounting policies specifically related to the financial information of the segments.

Both the assets and liabilities of the segments and the income and expenses were determined before the elimination of the balances and the inter-group transactions carried out in the consolidation process, except where those balances or transactions had been carried out between companies in one same group. The latter case is the predominant one in the Group, with all inter-group transactions carried out at current market prices at any given moment.

The criteria for allocating assets and liabilities, expenses and revenues to the different main segments of the Group are the following:

Allocation of Assets and Liabilities to the Main Segments

The assets of each segment are those corresponding to the Group's insurance activity which the segment consumes so that it can provide its services, including those directly attributable to each segment and those which may be distributed to each one by applying reasonable bases of distribution.

The assets of the segment include investments valued by the equity method according to the allocation made for such investments in the "Investments Book" of each subsidiary that exercises a significant influence. In this case, the gains and losses from such investments have been included in the ordinary result of the segment in question.

The liabilities of each segment include the proportion of assets corresponding to the operation of the Group deriving from the activities of the segment and which are directly attributable to it or may be allocated to it by applying reasonable bases of distribution. If interest expenses have been included in the segment's result, the segment's liabilities include the debts that generated this interest.

Allocation of Revenues and Expenses to the Main Segments and Sub-Segments

The technical revenues and expenses deriving from carrying out insurance operations are directly allocated to the Life Insurance and Non-life Insurance segments, respectively, and in the case of the latter, to its different sub-segments, depending on the type of operation from which they are derived.

The financial revenues and expenses are allocated to the Life Insurance and Non-life Insurance segments according to the allocation previously carried out for the assets generating these, which is shown in the "Investments Book" of each insurance company. A single financial instrument may be allocated to the different segments. In cases where the portfolios allocated to Life Insurance, Non-life Insurance or Other Activities include a holding in another subsidiary which is not an insurance company, its individual financial statements have consolidated line by line, respecting the allocation made in the "Investments Book". The Group holding in the profit/loss of the associated companies, which is presented separately in the profit and loss account, inputs the different segments according to the percentage it represents in each investment portfolio, respectively. The revenues and expenses of the financial instruments in which the own funds are materialised, along with other financial instruments not directly related to the practice of insurance operations, are allocated to the Other Activities segment.

The previous financial revenues and expenses are allocated to the different Non-life Insurance sub-segments, basically according to the technical reserves constituted for each of the weighted branches.

The Other Activities segment includes the revenues and expenses which, although derived from the operations carried out in the Life Insurance and Non-life Insurance segments, must not be included in the above technical areas.

For the other non-technical-financial revenues and expenses that are directly or indirectly related to the different segments, they have been allocated to these according to the segment that originated them, or on a reasonable distribution base, with the segment in question. In the latter case, a method has been used based on attributing expenses by functional activities, identifying for this the activities and tasks undertaken in each of the business processes and allocating to each of these activities the resources consumed by them. Consequently, in the attached profit and loss account, some of the general expenses are presented under the captions “Losses incurred in the period, net of reinsurance”, “Other technical expenses” and “Tangible fixed asset and investment expenses”. The rest of the general expenses appear under the caption “Net operating expenses”.

Together with the Group’s consolidated financial statements, the consolidated financial information by segments is attached, which details the various items that make up the ordinary income and expenses, as well as the segment’s assets and liabilities and those which have been excluded or not allocated. All of this is done regardless of the obligations of the different Spanish insurance companies which make up the scope of the Group to provide statistical-accounts information, based on the local Spanish accounting principles, to the DGIPF.

J) STATEMENT OF CASH FLOWS

The following expressions are used in the cash flow statement:

- Cash flows: additions and disposals of cash and its equivalents. Cash equivalents correspond to those high-liquidity, short-term investments that are easily convertible into determined amounts of cash and are liable to an insignificant risk of changes in their value and expire within three months.

- Operating activities: activities typical of insurance groups, as well as other activities which cannot be classified as investment or financing.

- Investment activities: those of acquisition, sale or disposal by other means of long-term assets and other investments not included in the cash and its equivalents.

- Financing activities: activities that produce changes to the scale and composition of the net assets and of the liabilities which do not form part of the operating activities. Operations with own shares, whenever they occur, are considered as financing activities. The payments of dividends made by the Parent Company to its shareholders are also considered under this category.

3. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES AND VALUATION CRITERIA APPLIED

The main valuation standards used in the preparation of the Group's Consolidated Annual Accounts for the 2016 financial year, in accordance with the International Financial Reporting Standards adopted by the European Union, were as follows:

A) CASH AND OTHER EQUIVALENT LIQUID ASSETS

This caption of the balance sheet comprises the cash, including the cash on hand and the demand deposits held at banks, as well as the cash equivalents.

Cash equivalents correspond to those high-liquidity, short-term investments that are easily convertible into determined amounts of cash and are liable to an insignificant risk of changes in their value and expire within three months.

B) FINANCIAL INSTRUMENTS

b.1) Recognition

Financial assets are generally recognised on their liquidation date. In accordance with IAS 39 - Financial instruments: recognition and valuation, the Group designates the financial instruments at the time of their acquisition or generation as financial assets at the reasonable value with changes in results, as available for sale or as loans and accounts to be received.

b.2) Classification of financial instruments

Note 6) of the Report shows the balances of the financial assets in force at 31 December 2016 and 2015, together with their specific nature, classified according to the following criteria:

- Financial assets at Fair Value with changes in the profit and loss account:

  Within this category of financial assets, a distinction is made between two types:

  - Financial assets held for trading:

    These are financial assets that are classified as held for trading, given that they have been acquired for sale in the short-term, being part of a portfolio of financial instruments identified and managed jointly in order to obtain short-term profit, or which are financial derivatives that are not financial guarantee contracts (for example, bank guarantees) and have not been designated as hedge instruments either. This caption also includes embedded derivatives which have been recognised and valued separately from their initial contract.

  - Other financial assets at fair value with changes in the profit and loss account for the year:

This category includes financial instruments which, not being part of the financial assets and liabilities held for trading, are jointly managed with liabilities through insurance policies valued at fair value and the purpose of which is to eliminate or reduce to a significant degree inconsistencies in the recognition or valuation (also known as accounting mismatches), which would otherwise have arisen through recognition of the profits or losses of the same.

The financial instruments in this category are permanently subject to a system of risk measurement, management and control, which makes it possible to check that risk is effectively reduced.

The Group allocates as part of this portfolio all those financial instruments associated to the Unit Linked business, in which the policyholders of the insurance assume the risk of the investment. These classifications remove the inconsistency in the valuation which would arise from using a different criterion to value the assets and liabilities assigned to this business.

- Loans and payments receivable:

These are non-derived financial assets with fixed or determinable payments, which are not negotiated in an active market.

In this caption, the Group classified non-mortgage loans, policy advance payments and financial assets without publication of prices, in addition to accounts receivable derived from deposits claimed in accepted reinsurance business.

In addition, there are other accounts receivable which are presented in the balance according to their different nature, as is the case with the credits for direct insurance, reinsurance and co-insurance operations and the tax, social security and other credits. Some of these items are excluded from the scope of IAS 39 and are specifically dealt with by other international regulations.

- Financial assets available for sale:

This caption of the balance sheet includes debt securities which are not considered for trading, nor held-to-maturity investment portfolios, nor loans and accounts receivable, in addition to equity instruments issued by non-associated companies, wherever said instruments have not been considered for trading, or other financial assets at fair value with changes in profit and loss.

On the latter instruments, the Group has signed various interest rate financial swap contracts, and has generally received fixed and/or determinable amounts from the different counterparts. The principal aim of these operations is to cover the cash flows necessary to meet the payment of benefits derived from the commitments with its policyholders, including the commitments acquired by virtue of certain pension commitment externalisation policies. For these fixed-income securities which incorporate interest rate swaps, the Group has the valuation separated from the certificate and swap, but given that their coupons are exchangeable, it values the operation in its entirety by updating the agreed flows and those associated to these financial activities, using a market interest curve.

For accounting purposes, the combined financial accrual of the flow resulting from the certificate plus the swap is also carried out. In accordance with its aforementioned purpose, the differences between this combined market value and the accounting cost are allocated to the technical reserves of the insurance contracts on each closure date. Separately valuing the fixed-income securities and the aforementioned interest rate swaps would have no significant effect on the Group's total assets or capital and reserves in the Group's consolidated balance sheet.

Investments in associated companies are presented under the specific sub-caption of the balance sheet, "Shareholdings in companies valued by the equity method".

b.3) Recognition and valuation of financial instruments

The financial instruments are initially recorded in the consolidated balance sheet when the Group formalises the contract which gives rise to them, in accordance with the conditions thereof. The financial assets and liabilities are recorded from the effective date on which the legal right to collect or make payment arises.

A financial asset is totally or partially removed from the balance sheet once the contractual rights on the cash flow it generates have expired or when it is transferred. However, a financial liability is totally or partially derecognised from the balance sheet once the obligations, risks or other benefits it generates have terminated.

When initially recorded on the balance sheet, all financial instruments are recorded at fair value which, in the absence of evidence to the contrary, is the price of the transaction. Subsequently, on a specific date, the fair value of a financial instrument corresponds to the amount for which it could be delivered, in the case of an asset, or paid, in the case of a liability, in a transaction entered into by knowledgeable interested parties, acting under conditions of mutual independence. The most objective and common reference for the fair value of a financial instrument is the price that would be paid for it in an organised, transparent and strong market ("listed price" or "market price").

In order to estimate a specific financial instrument's fair value when no market price exists, the established price of recent transactions of similar instruments shall be taken as a reference; if such information is not available, valuation models sufficiently recognised by the international financial community will be used, taking into consideration the specific characteristics of the instrument being valued and, in particular, the different types of risk associated with the instrument. The majority of financial instruments, except Over the Counter derivatives (hereinafter, OTC), are valued according to the listings of active markets.

The fair value of negotiated financial derivatives in organised, transparent and strong markets included in the trading portfolio are compared with their daily listing and if, for exceptional reasons, it is not possible to determine their listed price on a specific date, methods similar to those used to value non-negotiated derivatives in organised markets will be used.

The fair value of non-negotiated derivatives in organised markets or negotiated derivatives in organised markets that are not very strong or transparent will be calculated using method recognised by the financial markets, for example the "net present value" (NPV) or the models used to calculate the prices of options (see note Risk Management Policies).

In the corresponding notes of the report, the financial instruments are valued at fair value according to the methodology employed in their valuation, in the following manner:

- Level 1: based on listed prices in active markets.
- Level 2: using valuation techniques in which the hypotheses considered correspond to directly or indirectly observable market data, or to listed prices in active markets for similar instruments.
- Level 3: Using valuation techniques in which the principal hypotheses are not supported by data observable in the market.

The majority of financial instruments use the listed prices of active markets (Level 1) as an objective reference for determining their fair value and consequently use to determine their fair value the price that would be paid for them in an organised, transparent and strong market (the listed price or market price). In general terms, listed debt securities and listed equity instruments are included in this level.

In order to estimate the fair value of the instruments classified in Level 2, for which no market price exists, the established price of recent transactions of similar instruments shall be taken as a reference; if such information is not available, valuation models sufficiently recognised by the international financial community will be used, taking into consideration the specific characteristics of the instrument being valued and, in particular, the different types of risk associated with the instrument. Consequently, the fair value of OTC derivatives and of financial instruments traded on organised markets that are not very strong or transparent will be calculated using methods recognised by the financial markets, for example the “net present value” (NPV) or the models used to calculate the prices of options, based on parameters observable in the market. Fundamentally, this level includes unlisted debt securities.

To obtain the fair value classified in Level 3, for the valuation of which no directly observable data exist in the market, alternative techniques are used, including requesting the price from the vendor entity or the use of market parameters with a risk profile that can be easily applied to the instrument being valued. At 31 December 2016, the Group has no assets classified in this level.

Furthermore, for certain financial assets and liabilities, the recognition criteria on the balance sheet is the amortised cost. These criteria are mainly applied to financial assets included in the caption “Loans and accounts receivable”, and with regard to financial liabilities, to those recorded as “Financial liabilities at amortised cost”.

b.4) Impairment of the value of the financial instruments

On each date of the balance sheet, the Group evaluates whether there is objective evidence that a financial instrument has been impaired, considering those situations which individually or together with others manifest this evidence.

A financial asset is considered to be impaired when there is objective evidence of a negative impact on the future cash flows estimated at the moment the transaction is formalised or when their book value cannot be fully recouped.

As a general rule, the correction of the book value of financial instruments as a result of their impairment is charged to the consolidated Profit and Loss Account of the period in which said impairment occurs, and the recouping of losses caused by previously recorded impairment, wherever applicable, are recognised in the consolidated Profit and Loss Account of the period in which the impairment is eliminated or reduced, except in the case of equity instruments classified as available for sale, given that such impairment is considered impossible to recoup.

When it is considered that a registered sum is unlikely to be recouped, it is eliminated from the balance sheet, without prejudice to any actions which may be carried out by Group companies in an attempt to collect the amount, until all the rights pertaining to the same are finally extinguished as a result of statute-barring, cancellation or any other cause.

Below, we set out the main criteria adopted when examining the impairment of the Group's different financial assets:

- Financial assets recorded at amortised cost:

  The sum of losses through impairment experienced by these instruments coincides with the positive difference between their respective book values and the current value of their estimated future cash flows. A decrease in fair value below the acquisition cost does not in itself constitute proof of impairment.

  If, in subsequent periods, the amount of the loss through impairment of value is reduced, the previously-recognised loss through impairment is subject to reversal in the profit and loss account.

  This group of assets includes the balances receivable which the Group maintains with certain insured parties or policyholders for the receipts issued awaiting payment and the receipts pending issue. In this case, the loss of value is determined according to the historical experience of annulments in the last 3 years, attributing greater weight to the most recent years and taking into consideration the months that have passed since the theoretical payment date and that of each closure, as well as the specific insurance sector involved.

- Debt securities classified as available for sale:

  For fixed-income and readily assimilated securities, the Group considers as an indication of loss a possible reduction or delay in the estimated future cash flows, which among other circumstances may be caused by the debtor's possible insolvency. Loss through impairment of debt securities included in the portfolio of assets available for sale is equal to the positive difference between the acquisition cost (net of any amortisation of the debt principal) and its fair value, after deducting any loss through impairment previously recognised in the consolidated profit and loss account. The market value of listed debt securities is considered a reasonable estimation of the current value of its future cash flows, in spite of the fact that the decrease in fair value below acquisition cost does not in itself constitute proof of impairment.

When objective evidence exists that the differences arising in the valuation of these assets originate from their impairment, they are no longer presented under the equity caption Adjustments to assets through valuation – Financial assets available for sale and are recorded in the consolidated profit and loss account for the sum deemed to be the accumulated impairment until that time.

If some or all of the losses through impairment are recovered at a later date, their amount is recognised in the profit and loss account of the period in which the recovery occurs.

- Equity instruments classified as available for sale.

The indicators used to evaluate the impairment of these instruments, which are listed in secondary markets according to the methodology established by the Group, include the listed value at the close of the financial year, a significant or prolonged decrease of the market value below the acquisition cost, historical data on the dividends paid in previous financial years, the anticipated dividends and the expectations of the market in which the subsidiary company operates. These indicators are used to evaluate whether objective evidence of impairment exists. A decrease in fair value below the acquisition cost does not in itself constitute proof of impairment.

The loss through impairment of equity instruments is calculated on an individual basis and, once objective loss is evidenced as a consequence of an event or series of events with an impact on the estimated future cash flows, is equal to the difference between the acquisition cost and its fair value, after deducting any loss through impairment previously recognised in the consolidated profit and loss account.

The criteria for recording losses through impairment coincide with the ones applied to debt securities classified as available for sale, except for the fact that any recovery of the aforementioned losses is recognised under the equity caption *Adjustments to assets through valuation – Financial assets available for sale*.

b.5) Record of changes in the valuation of the financial assets and liabilities

The loss or gain arising from the variation in the fair value of a financial asset, which does not form part of a hedging operation, is recognised as follows:

- The loss or gain in a financial asset at fair value with changes in profit and loss is recognised in the profit and loss account of the financial year under the sub-caption “Losses from financial investments” or “Profits from financial investments” from the Life Insurance and Non-life Insurance segment.

- The loss or gain in an asset available for sale is directly recognised in equity in the line “Adjustments through valuation” until the financial asset is cancelled in the accounts registers, with exception of the losses through impairment of the value of the losses or gains due to the exchange rate. At the time of cancellation, the loss or gain which has been previously recognised in equity is registered in the profit and loss account of the financial year.

However, interest calculated according to the effective interest method is recognised in the financial year results. The dividends of an asset instrument classified as available for sale are recognised in the profit and loss account of the financial year when the Group's right to receive the payment has been established.

When a financial asset registered at amortised cost is written off, has suffered a loss in value or the effective interest method is applied, the different derived revenues and expenses are registered through the profit and loss account.

b.6) Investment on behalf of life insurance policyholders who assume the risk of the investment

Investments on behalf of policyholders who assume the risk of the investment are valued at the acquisition price on subscription or purchase. This acquisition price is subsequently adjusted according to its realisation value. The revaluations and depreciations of these assets are entered as credits or debits in the profit and loss account of the Life Insurance segment, for their net amount, under the sub-caption "Unrealised gains and losses from the investments".

The entirety of the instruments of variable income, fixed income and other types which have official listing, or in those where a market value can be reliably estimated, are designated and classified in the portfolio "at fair value with changes in profit and loss".

For presentation purposes, it must be considered that part of the balances affected by this business are presented in balance sheet captions different to that of "Investments on behalf of life insurance policyholders who assume the investment risk", classifying the liabilities through such insurance policies under the caption "Technical reserves – for life insurance".

C) TANGIBLE FIXED ASSETS

Under this caption, the Group registers the balance of all buildings for own use, all of which are owned freehold.

This caption also includes the elements of transport, buildings and facilities and data-processing equipment, among others.

These assets are recognised at their cost of acquisition or construction, less the accumulated depreciation and, where appropriate, the accumulated amount of the losses through impairment in value, but in no case below the residual value. The costs of the extensions and improvements carried out on the buildings owned by the Group, subsequent to their initial recognition, are expedited as another tangible fixed asset, providing they increase their capacity or surface area or increase either their return or useful life. On the other hand, upkeep and maintenance costs are expensed during the period in which they occur. The Group does not capitalise the financial expenses associated to these assets, wherever they exist.

If the payments relating to a property investment are postponed, its cost is the equivalent of the cash price. The difference between this amount and the total of payments is recognised as an interest expense during the period of postponement.

As a general rule, the Group uses the systematic method of linear depreciation on the acquisition cost, the residual value and the value of the land in the case of buildings being excluded throughout the following estimated useful lives:

Tangible fixed asset	2016 Estimated useful life	2015 Estimated useful life
Property (excluding land)	50 years	50 years
Furniture and fittings	Between 3 and 13 years	Between 3 and 13 years
Vehicles	5 years	5 years
Data-processing equipment	Between 3 and 10 years	Between 3 and 10 years
Other tangible fixed assets	Between 5 and 10 years	Between 5 and 10 years

In the case of buildings under construction, the Group starts to depreciate them once they are ready for use.

The residual values and lives of these assets are revised on every balance date and adjusted as necessary. The recognised accounting value for an asset is immediately reduced to its recoverable amount if the accounting value of the asset is greater than its estimated recoverable amount. The gains and losses per report are calculated comparing the quantities obtained with the recognised accounting values.

The reasonable values of both the property investments and own-use buildings indicated in Note 9.a.) of the Report were obtained from the rating reports prepared by independent experts, which have a maximum life of 2 years. For property located in Spain, the aforementioned market value has been calculated in accordance with the provisions established in Order ECC/371/2013, of 4 March, partially amended by Order ECO-805-2003, of 27 March, on the valuation rules for property and certain rights for certain financial aims.

D) PROPERTY INVESTMENTS

The property investments caption of the consolidated balance sheet contains the values of land, buildings and other constructions that are held either to use them for rental, or for obtaining a capital gain upon their sale as a consequence of the increases that will occur in the future in their respective market prices.

Land owned for an undetermined future use and currently unoccupied buildings are also presented under this sub-caption.

Property investments include land and buildings possessed freehold. They are entered in the accounts at the acquisition or construction cost, less any subsequent accumulated depreciation and subsequent accumulated losses through impairment, where appropriate, but in no case below their residual value. The acquisition cost includes the sale price along with any directly attributable payment (associated transaction costs). In the case of real estate investments constructed by the Group itself, the acquisition cost is the cost at the date on which the construction or development is completed.

The treatment of the costs of extension, modernisation or improvements, as well as the methods for calculating impairment, the depreciation systems and the useful lives established for property investments are similar to those applied to own-use buildings (see Note 3.c).

The market value of property investments, which is indicated in Note 9.b.) of the Report, has been obtained in accordance with the Order mentioned in the previous section with regard to own-use buildings.

E) INTANGIBLE FIXED ASSETS

Identifiable monetary assets which have no physical appearance and which arise as a consequence of an acquisition from third parties or have been developed internally by a company in the Group are considered as intangible assets. For accounting purposes, the only intangible assets recognised are those in which, being identifiable, and where future financial benefits exist in addition to control over the intangible asset in question, the Group can reasonably estimate their cost and it is probable that the future financial benefits attributed to them flow to the Group itself.

This section encompasses, due to their fair value on the acquisition date, the intangible assets acquired in business combinations and goodwill arising in merger processes. The goodwill represents the advance payment of future trading profits derived from the acquired assets that are not individual and separately identifiable and recognisable. The existence of internal or external signs of impairment is periodically analysed and under no circumstances is it amortised.

The Group values intangible assets by their cost of acquisition or production and maintains this cost model in subsequent valuations, minus the corresponding accumulated amortisation, if applicable, and the accumulated amount of the losses through impairment of value, where appropriate. To determine whether the value of the intangible assets has been impaired, the Group applies IAS 36 - Impairment of assets - and subsequent interpretations of this, as well as IFRS 4 - Insurance Contracts, in cases where this is applicable.

The Group evaluates whether the useful life of the intangible assets is finite or undefined. If it is finite, it evaluates the duration of their useful life.

e.1) Goodwill

The “Goodwill” caption includes the positive consolidation differences deriving from the acquisition of holdings in the capital of subsidiary companies, through the difference between the acquisition cost of the new holding and the acquired participation in the fair net value of the assets, liabilities and identifiable contingent liabilities which are not allocated to assets or specific intangible assets.

With regard to the SegurCaixa Adeslas holding, this includes intangible assets embedded in the value and percentage of the holding of the same.

e.2) Other intangible fixed assets

The specific accounting policies applied to the other main intangible assets are described below:

Intangible assets identified

As described in the Goodwill section, the intangible assets identified during the company operations and merger processes have been classified under this sub-caption.

Computer programs

This sub-caption basically includes redeemable expenses related to the development of computer systems and electronic channels.

The licences of the computer programs are valued by the amount paid for their ownership or right of use, together with the costs incurred in putting the specific program to use, provided that its use is foreseen for several years, and they are recorded as computer application acquired entirely from third parties. Under this same item, the costs of third parties who collaborate in the development of computer programs for the Group are recorded.

In the case of those applications generated internally, the Group expedites the expenses directly associated with the production of identifiable and exclusive computer programmes controlled by the Group, in other words, the labour costs of the development teams of these applications and the part corresponding to the associated indirect expenses. The remaining costs associated with the development or maintenance of internal projects are recorded as an expense in the financial year in which they are accrued.

The subsequent costs are only capitalised when the future profits of the intangible asset to which they relate increase. Recurring expenses arising from the modification or revaluation of computer programs or systems, expenses arising from global revisions of systems and maintenance costs are recorded in the profit and loss account in the period in which they are incurred.

All computer programs are amortised systematically over their useful life, which fluctuates between three and a maximum of five years.

Other expenses of acquisition of pension plans and life insurance contracts

Since the 2004 financial year, the Group has marketed some new types of pension plans that have a cash premium associated with their sale. In the 2006 financial year, marketing of insurance products which also have the same type of premium associated to them commenced. The Group activates the amount of said rewards and amortises them over a maximum term of 5 years, taking into account the movements and falls in the portfolio.

The possible loss of value in the expedited acquisition expenses referring to Life Insurance and Non-life Insurance contracts is evaluated according to the requirements set out in IFRS 4 “Insurance Contracts”.

F) TRANSACTIONS IN FOREIGN CURRENCIES

f.1) Functional currency

The operating currency of the Parent Company and its subsidiary companies with registered offices in the European Union is the euro.

The consolidated annual accounts are presented in euros, the currency in which the Group presents its accounts. Consequently, all balances and transactions named in currencies other than the euro are considered to be in “foreign currency”.

f.2) Criteria for conversion of balances in foreign currency

The conversion of balances in foreign currencies to euros is performed as follows:

- Conversion from the foreign currency into the operating currency (the currency of the principal economic area in which the subsidiary operates or the euro in the case of companies domiciled in the European Monetary Union), and

- Non-monetary entries valued at their historic cost are converted into the operating currency by applying the exchange rate at the date of their acquisition,

- Non-monetary entries valued at their fair value are converted into the operating currency by applying the exchange rate at the date on which said fair value was calculated,

- Revenue and expenses are converted by applying the average exchange rates of the period for all operations that belong to the same,

- Futures trading operations of currencies against currencies and currencies against euros not aimed at covering asset positions are converted at the exchange rates established on the date of the financial year close by the currency futures market for the corresponding accrual date.

f.3) Recording of exchange rate differences

The exchange rate differences produced when the balances in foreign currency are converted to the euro are generally recorded as net amounts in the profit and loss account. However:

- The exchange rate differences arising in the non-monetary items whose fair value is adjusted with counterpart in equity are recorded in equity under the item “Adjustments to assets through valuation – Portfolios available for sale”.

- The exchange rate differences arising in the non-monetary items whose gains or losses are recorded in the financial year result, are also recognised in the financial year result, without differentiating them from the other variations that may occur to their fair value.

G) CORPORATION TAX

The Corporation Tax expense or revenue for each financial year is calculated according to the accounting profit before taxes, determined according to the local Spanish accounting principles, increased or reduced accordingly by the permanent differences. These are understood to be those differences produced between the taxable income and the reported result before taxes, which are not going to be reversed in following periods, as well as those derived from the application of the IFRS and for which a reversal will neither be produced. When the value differences are registered in equity, the corresponding corporate income tax is also registered against equity.

The temporary differences originating from the differences between the book value and the taxable income of an asset item such as, in the case of activation, tax credits and abatements and by negative taxable income, give rise to the corresponding deferred taxes, whether assets or liabilities, which are quantified by applying the temporary difference or credit corresponding to the tax obligation to which it is expected to recover them or liquidate them.

The Group recognises liabilities through deferred taxes for all the temporary taxable differences. The deferred tax assets are only recognised in the case where it is considered highly probable that the consolidated companies are going to have sufficient tax gains in the future against which these assets can be applied.

In the case of temporary taxable differences derived from investments in Group and associate companies (which are not consolidated fiscally), a liability for deferred taxes is recognised except where the Group can control the reversion of the temporary differences and it is probable that these will not be reverted in the foreseeable future.

The assets and liabilities through current tax are valued at the sums expected to be paid to or recovered from the Treasury, in accordance with the current legislation or approved legislation pending publication on the date of the financial year end. In this regard, the Group has calculated the Corporation Tax at 31 December 2016 by applying the current tax regulations and Royal Decree Law 2/2008, of 21 April, on measures to promote economic activity in all companies domiciled for tax purposes in Spain.

The parent company of the Fiscal Group to which the Group belongs was “la Caixa” from 1 January 2008 up to the 2012 financial year. With the entry into effect, on 30 December 2013, of Law 26/2013 on Savings Banks and Banking Foundations, and given that in 2013 the holding of “la Caixa” in CaixaBank dropped below 70%, CaixaBank was replaced in its capacity as parent company of the Tax Group, with effect on 1 January 2013. Thus, CaixaBank became the parent company of the Tax Group to which the Group belongs.

On 3 December 2016, the Royal Decree of Law 3/2016, of 2 December, was published, which adopts tax measures aimed at consolidating public finances and other urgent measures in the social domain. The Parent Company conducted an analysis of the impact of said tax reform, the results of which record no significant impacts.

H) FINANCIAL LIABILITIES

Financial liabilities are the Group’s debits and payable items that stemmed from the purchase of goods and services due to the company’s trade operations, or those which, not having a commercial origin, cannot be considered derivative financial instruments.

Debits and payable items are initially valued at the fair value of the consideration received, adjusted for any directly attributable transaction costs. Subsequently, said liabilities are valued according to their amortised cost.

I) ASSETS AND LIABILITIES ARISING FROM INSURANCE AND REINSURANCE CONTRACTS

The Group applies the requirements established in IFRS 4 Insurance Contracts to all the assets and liabilities in its consolidated financial statements which derive from insurance contracts, in accordance with the definition set out in the regulation itself.

i.1) Classification of the portfolio of contracts

The Group evaluates and classifies its life and non-life insurance contracts of the direct business (including accepted reinsurance) and of the ceded business, taking into consideration the Implementation Guides which accompany IFRS 4, as well as the non-regulatory guidelines published by the DGIPF on 22 December 2004, by means of the Framework Document on Accounting Procedure of the Insurance Companies relating to IFRS 4. All the contracts are classified as “insurance contracts”.

The Group does not separate any deposit component associated with insurance contracts, such disassociation being voluntary for the same. Meanwhile, it is estimated that the surrender options issued in favour of insurance contract holders have a nil fair value or otherwise, their valuation forms part of the value of the liability of the insurance.

i.2) Valuation of assets and liabilities arising from insurance and reinsurance contracts

In accordance with the criteria indicated in the IFRS, insurance entities must perform a sufficiency test, with regard to the contractual commitments assumed, for the liabilities derived from insurance contracts recorded in its balance sheet.

Specifically, in accordance with IFRS 4 "Insurance Contracts" the group performs a liabilities sufficiency test, in order to guarantee the suitability of its contractual liabilities. To this effect, the Group compares the difference between the book value of the technical reserves, net of any deferred acquisition cost or any intangible asset related to the insurance contracts subject to evaluation, with the amount resulting from considering the current estimations, applying market interest rates, of all the cash flows derived from the insurance contracts, with the difference arising between the market value of the financial instruments subject to the previous contracts and their acquisition cost. In order to determine the market value of these liabilities, the same interest rate as the one employed in the financial instruments is used. The valuations of the insurance contracts also include the related cash flows, such as those coming from the implicit options and guarantees.

At 31 December 2016, said liabilities sufficiency test was performed once more, confirming the sufficiency of the established reserves.

In order to avoid some of the accounting mismatches produced by using different valuation criteria for financial investments, mainly classified in the "Financial assets available for sale" caption, and the liabilities derived from insurance contracts, the Group registers as the greater amount of the caption Insurance contract reserves that are part of the unrealised net capital gains, derived from the above investments, that it expects will be accrued in the future to the insurance companies as these materialise, or by applying a technical interest rate higher than the market interest rate. Said practice is known as "shadow accounting".

The policy accounting principles applied by the Group with regard to the technical reserves are summarised below:

For unearned premiums and unexpired risks

The reserve for unearned premiums constitutes the proportion of premiums accrued during the financial year which must be input to the period from the close of each financial year and the termination of the policy. The Group's insurance companies have calculated this reserve for each type or area using the "policy by policy" method, taking as a base for calculation the tariff premiums, deducting, wherever applicable, the security surcharge, in other words, without deducting the fees and other acquisition costs.

The unexpired risks reserve is aimed at complementing the unearned premium reserve when its amount is insufficient to reflect the valuation of all the risks and expenses to be covered for the period of cover remaining at the end of the year. This reserve is calculated and is in turn made, according to the calculation established by Article 31 of the Regulations on Administration and Supervision of Private Insurance (hereinafter, ROSSP) modified by Royal Decree 239-2007, of 16 February, considering the technical result by year of occurrence together with same year of closure and the previous one or of the four previous years, depending on the area in question. The aforementioned article continues in force pursuant to the contents of the fifth additional provision of Royal Decree 1060/2015, of 20 November (ROSSEAR).

Life insurance

This reserve includes the reserve for unearned premiums of insurance contracts with a period of coverage equal to or lower than the year and principally, for the other insurance contracts, the policy reserve. The policy reserves, which represent the excess of the current actuarial value of the future obligations of the subsidiary insurance companies over that of the premiums which the policyholder must satisfy, are calculated policy by policy using a system of individual capitalisation, taking as its calculation base the inventory premium accrued in the year, in accordance with the Technical Notes of each type, updated in turn with the mortality tables accepted by current Spanish legislation.

Reserves relative to life insurance when investment risk is assumed by policyholders

For presentation purposes, the caption in the liabilities "Technical reserves – life insurance" includes the technical reserves corresponding to insurance in which the policyholder assumes the investment risk. The corresponding technical reserves are determined on the basis of indices or assets used as a reference to determine the economic value of the rights of the policyholders (see Note 6).

Claims

This account represents the total amount of pending liabilities arising from claims that occurred before year-end. The Group calculates this reserve as the difference between the total estimated or certain cost of the claims pending declaration, settlement or payment and the set of amounts already paid for these claims.

Claims pending settlement or payment

This account represents the total amount of pending liabilities arising from claims that occurred before year-end. The Group calculates this reserve as the difference between the total estimated or certain cost of the claims pending settlement or payment and the set of amounts already paid for these claims. The reserve is calculated individually for claims pending settlement or payment and includes external and internal management expenses and processing of claims, whatever their origin, produced or to be produced, until the final settlement and payment of the claim.

Claims pending declaration

The Group's insurance companies are authorised by the DGIPF to use global statistical methods to calculate the reserve for claims pending declaration in the Individual Life, Group Life and Group Accident and Non-life forms, with effect from 31 December 2006. Since then, said reserve has been calculated according to the generally-accepted statistical methods from various groups of methods, with the reserve amount constituting the greater of the results obtained.

For the above cases, the reserve has been calculated according to the best estimate provided by the internal actuarial calculations based on generally accepted calculation methods. The methodology and main hypotheses used in the calculation of said reserves at 31 December 2016 is described below:

- Chain Ladder and Cape Cod analysis (calculation methods) of payments and expenses incurred have been selected.

- To calculate the level of fixed security, no inflation effect or financial discounting over time was considered. Peak claims, defined as those whose estimated cost exceeds a certain amount according to each segment, are excluded from these methods.

- The calculated payments are considered net of recovery.

Every year, the Group checks the goodness of fit of the calculations performed, in accordance with the requirements established in the Regulation. Furthermore, each claim is subject to an individual valuation, independently of the statistical methods used.

For the purposes of the tax deductibility of the claims reserve calculated using statistical methods, calculations have been made for consideration of the minimum amount of the reserve, in accordance with the requirements established by Additional Provision Three of Royal Decree 239-2007, of 16 February, which amends the ROSSP. The differences between the provisions made and those considered as a tax deductible expense during the financial year have taken time differences into account.

Internal expenses of claims settlements

The claims reserve includes an estimate for internal management expenses and the administration of proceedings in order to meet the internal expenses of the Parent Company necessary for the full completion of claims that have to be included in the claims reserve, for both direct insurance and accepted reinsurance. This estimation is produced in accordance with the provisions of the 5th additional provision of the Regulation on the Administration, Supervision and Solvency of Insurance and Reinsurance Companies (ROSSEAR) and in Article 42 of Royal Decree 239-2007, of 16 February, which modifies the Regulation on Administration and Supervision of Private Insurance (ROSSP), irrespective of the calculation method used and in compliance with the current regulations.

Reserves for share in profits and returns

This reserve includes the amount of the gains accrued in favour of the policyholders or beneficiaries still not allocated at the closure date. It does not include the effect of allocating part of the unrealised capital gains of the investments portfolio in favour of the policyholders, which is included in the sub-caption “Technical reserves”.

Other assets and rest of liabilities

The “Other assets” caption of the balance sheet mainly includes the explicit interests accrued and unpaid from investments in debt securities. It also includes the fees and other acquisition expenses corresponding to the premiums accrued which are applicable to the period between the closure date and the termination of the coverage of the contracts, with the imputed expenses corresponding to results actually supported in the period with the limit established in the technical bases.

In parallel, the caption “Rest of liabilities” includes, among others, the amounts of the fees and other acquisition expenses of the ceded reinsurance which must be accrued to following financial years in accordance with the period of coverage of the ceded policies.

The fees and acquisition expenses directly related to the newly-produced sale are not activated under any circumstances, being entered in the profit and loss account of the year during which they are incurred.

Claims recovery

In general terms, the recovery credits for claims are only entered in the accounts when there is sufficient guarantee that they will be realised.

The sum of the recovery credits net of the reinsurance participation is registered in the caption "Loans and payments receivable – Other credits" of the consolidated balance sheet.

Reinsurance

The reinsurance contracts signed between the Group's insurance companies and other insurance companies aim, in all cases, to transfer part of the insurance risk to the reinsurance companies with whom they have signed the contract.

J) NON-TECHNICAL RESERVES

The consolidated financial statements of the Group include all the significant reserves with regard to which it is estimated that the probability of having to meet the obligation is greater than the opposite case. The contingent liabilities are not included in the financial statements.

The reserves are quantified taking into consideration the best available information on the consequences of the event for which they are intended and are re-estimated in every closing of accounts. They are used to confront the specific risks for which they were originally recognised and are totally or partially reversed when these risks disappear or are reduced.

j.1) Reserves for pensions and similar risks

Numerous Group companies have agreements for post-employment pensions, which are outsourced through various contributory pension plans associated to the "PENSIONS CAIXA, 21, FONDO DE PENSIONES" Pension Fund.

For these companies, the Group makes contributions of a predetermined nature to said plans, according to the percentages applied to the basic salary of each employee, without any legal or effective obligation to make additional contributions if the separated entity is unable to attend to the remuneration of the employees related to the services rendered in the current financial year and in previous ones.

As a result of the agreements reached by the Parent Company on 29 December 2014, a new section of contributions was added to the Pension Plan. Therefore, the company will contribute 5% to each employee of the Parent Company who makes an annual contribution of 2% of their annual basic salary. Unless otherwise specified, all those people who adhered to the Plan were automatically changed to this new section that came into effect in the last quarter of 2014.

On the other hand, upkeep and maintenance costs are expensed during the period in which they occur in each Group company. In the 2016 financial year, the subsidiary companies contributed 422 thousand euros to this Fund (426 thousand euros in 2015).

The non-outsourced part, which is insignificant, corresponds to the Subsidiaries' commitments to non-working personnel.

j.2) Other non-technical reserves

The remaining non-technical reserves basically include the payments for debts assumed by the Group with regard to the agreements established with insurance companies and the amounts estimated for confronting probable or certain responsibilities, such as current litigation, compensation, regularisations pending payment to staff and other obligations.

K) LEASES

Leases are classified as financial leases wherever it may be deduced from the conditions of these that the risks and benefits inherent in the ownership of the asset which is the object of the lease are substantially transferred to the lessee. All other leases are classified as operating leases.

Financial leases

Assets acquired through financial leases are classified in the caption "Tangible fixed assets" according to the nature of the asset which is the object of the contract, with a balancing entry of a liability for an identical amount, for the lesser amount between their fair value and the present value of the amount payable to the lessor, including the price of exercising the option to purchase. These assets are amortised applying criteria similar to those applied to the group of tangible assets of a similar nature.

The financial expenses associated with these contracts are charged to the consolidated profit and loss account, in accordance with the effective interest rate of such operations.

Operative Leases

Operating lease operations are considered to be those in which the inherent risks and benefits of the ownership of the asset are not transferred by the lessor.

The expenses of operating leases are systematically charged to the consolidated profit and loss in the financial year in which they are accrued.

During the 2016 and 2015 financial years, all leases were classified as operating leases.

L) RELATED PARTY TRANSACTIONS

The Group carries out all its related party transactions at market values. Furthermore, the transfer prices are appropriately supported and for this reason the Directors of the Parent Company consider that no significant risks exist which may give rise to significant liabilities in the future.

M) ASSETS OF AN ENVIRONMENTAL NATURE

Assets of an environmental nature include items which are used over long periods of time in the Group's activity, the main purpose of which is to minimise environmental impact and to protect and improve the environment, including the reduction or elimination of future pollution.

Given the Group's activity, it does not have a significant environmental impact.

N) SEVERANCE PAYMENTS

In accordance with current legislation, the Group is obliged to pay compensation to employees whose employment contracts have been terminated under certain circumstances. Consequently, severance payments subject to reasonable quantification are recorded as an expense in the year in which the decision to dismiss the employee was taken.

O) REVENUE AND EXPENDITURE

The Group enters the income and expenses in the accounts according to the accrual principle, i.e. according to the real flow of goods and services these represent, regardless of the time when the monetary or financial flow derived from them is produced.

The most significant criteria used by the Group to recognise its revenues and expenses are summarised below:

o.1) Income from issued premiums

The premiums issued during the financial year are entered in the accounts as a deposit, net of the annulments and returns, corrected by the variation in the accrued, non-issued premiums, which derive from contracts perfected or extended in the year, in relation to which the policyholder's right to realise them arises during this period.

The premiums of the Non-life Insurance segment and of the renewable annual Life contracts are included as a deposit throughout the contracts' period of validity, depending on the time passed. These premiums are accrued using the constitution of the reserve for unearned premiums. The Life Insurance segment premiums which are long-term, whether they are single or periodic premiums, are included when the contract issuer's right to realise them arises.

The premiums corresponding to the ceded reinsurance are registered according to the underwritten reinsurance contracts and under the same criteria used for direct insurance.

o.2) Income and expenses for interest and similar items

For accounting purposes, these are generally recognised by applying the effective interest method, regardless of the monetary or financial flow derived from the financial assets. The perceived dividends of other companies are recognised as income at the moment when the subsidiaries' right to receive them originates.

o.3) Claims paid and variation of reserves

The loss is composed of the claims paid during the year and the variation experienced in the technical reserves relating to the claims and the imputable part of the general expenses which must be allocated to this.

o.4) Fees

The income and expenses for fees are registered in the profit and loss account during the period when the associated service is provided, except those which respond to a particular or single act, which are accrued at the moment they occur.

4. MANAGEMENT OF RISKS

MANAGEMENT OF RISKS

The Group carries out its insurance and social security activities in a regulated market where there are frequent updates of regulations, specific both to insurance and pension funds and other matters applicable to these, such as tax, labour or financial.

Due to the considerable growth of the Group, as well as the technical sophistication and extension of the managed products, a need has arisen to operate using an integrated system of highly-mechanised processes and procedures which are constantly updated. Also, to guarantee fulfilment of all the objectives approved by the Board of Directors, and to inform the market on a periodic basis, a thorough internal control system has been defined and developed throughout the structure.

Credit Risk

In general, the Group maintains its cash and equivalent liquid assets in banks with a high credit rating.

For the balances receivable maintained with insurance policyholders, there is no significant concentration of credit risk with third parties.

As far as the credit risk associated with financial instruments is concerned, the policy established by the Group is based on two basic principles:

- Prudence: rating scales and periods have been established.
- Diversification: high diversification in sectors and issuing entities, with maximum limits of risk per issuing entity.

The credit risk management of the Group is determined by internal compliance with the actions defined by the Management and approved by the Administrative Bodies.

In order to adapt to the changes undergone due to the market, the Group has developed a universe of values that is consistent with the group. Said universe is adjusted to the Group's investment management structure and approach with regard to the long-term nature of the investment and the criticality of the liquidity.

Liquidity risk

The liquidity risk refers to the possibility of being unable to disinvest in a financial instrument quickly enough and without incurring significant additional costs or to the risk associated with the fact of not having liquidity at the moment when payment obligations must be met.

The liquidity risk associated to the possibility of realising the financial investments in cash is insignificant, since these are generally listed in markets, the aim of the insurance company's activities being to maintain them in its portfolio while the agreement derived from the insurance contracts continues to exist.

In order to ensure liquidity and be able to attend to all the payment commitments derived from its activity, the VidaCaixa Group has a treasury which displays its balance. In addition, ALM analysis performed in Life portfolios makes it possible to mitigate this risk.

Also, VidaCaixa S.A.U. has a collateral position - financial transactions framework agreement - with Caixabank.

***Market risk** (includes interest rates, exchange rates and other price risks)*

This refers to the risk that the value of a financial instrument may vary due to changes in the price of the shares, interest rates or exchange rate. The consequence of these risks is the possibility of incurring in decreases to equity or in losses due to movements of the market prices.

The Group periodically performs different types of sensitivity analysis on its portfolios to market risk, principally derived from the evolution of the interest rates. Along these lines, it performs monthly checks on the modified durations of fixed-income portfolios associated to the Life branch.

The Group's financial derivatives management policy also covers the use of counterparts which, as financial institutions subject to the supervision of the governing authorities of the member states of the European Union, have sufficient solvency. Contractually, these positions have an explicit guarantee allowing them to be left without effect at any time during the operation, either through their liquidation or through being ceded to third parties. This liquidation is guaranteed by a commitment on the part of the counterparts to publish the execution prices on a daily basis, together with a clear specification of the method of valuation used.

With regard to exchange rate risk, the Group does not own assets with a significant and direct exposure in currencies other than the euro and, wherever necessary, the necessary coverage is provided.

Technical or underwriting risk

The associated risks of the insurance business in the existing branches and types are managed by producing and monitoring a Balanced Scoreboard, aimed at keeping the synthetic vision of the products' technical evolution up-to-date. This Balanced Scorecard defines the policies of:

- Underwriting. Based on the acceptance of risks based on the actuarial variable principles (age, capital insured and duration of guarantee).

- Pricing. In accordance with the current DGIPF regulations, the price rates for the life insurance area are established using the mortality tables permitted by current legislation. At the same time, the interest rates used for pricing are applied in accordance with the maximum rate determined by Royal Decree 1060/2015, of 20 November, on Administration, Supervision and Solvency of Insurance and Reinsurance Companies (ROSSEAR).

- Definition and supervision of Reinsurance Policy: Establishing appropriate diversification of the risk among various reinsurance companies with sufficient capacity to absorb unforeseen losses. From this, stability in the claims results is obtained.

The definitions and monitoring of the above policies in turn permit them to be modified in order to adapt the risks to the Group's overall strategy.

The treatment of claims and the sufficiency of the reserves are basic principles of insurance management. The technical reserves are estimated using specific procedures and systems.

Sensitivity to insurance risk

For the life insurance business, the Embedded Value is a tool for providing supplementary information and breakdowns to companies, analysts and investors. Specifically, it is defined as the adjusted company assets plus the current value of the business net of the retained capital cost.

The value of the business is calculated by projecting the future cash flows of the current policies and discounting the after-tax profits at an established discount rate.

For this calculation, the hypotheses must be established over the risk premium to be used in the discount rate, the variables which the projections, such as rate of decrease of the portfolio, of mortality and of reinvestment return. Other key points when determining the embedded value are the fixing of capital required and the valuation of the cost of the options and guarantees the insurance products offer.

Solvency II

Since the publication of Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009, on the taking-up and pursuit of the business of Insurance and Reinsurance, (hereinafter the Solvency II Directive), temporary measures have been published to facilitate the gradual adaptation of insurers and reinsurers to the new regime set out in the directive, that came fully into effect on 1 January 2016. Thus, the Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing said Directive, the Law on Administration, Supervision and Solvency of Insurers and Reinsurers (Law 20/2015, of 14 July 2015) together with the Regulations on Administration, Supervision and Solvency of Insurers and Reinsurers (Royal Decree 1060/2015, of 20 November 2015), constitute the basic legal texts that regulate the requirements of the new Solvency II regime.

The aforementioned regulations include, among other aspects, the establishment on 1 January 2016 of figures for the standard solvency capital or standard capital requirement (SCR) and minimum capital requirement (MCR) and the funds to cover them, which result from the consideration – for the purposes of what is referred to in said regulation as the economic balance sheet – of criteria related to the recognition and measurement of assets and liabilities (economic balance sheet) that, as described in the following paragraphs, differ substantially from those used to reflect the financial position and assets and liabilities of the Parent Company in its accompanying annual accounts, prepared in accordance with the financial reporting standards applicable to the Parent Company.

The main objective of the Solvency II regulations is to protect the policyholder by means of an improved control and measurement of the market, operational, credit and liquidity risks to which insurers are exposed through three pillars or principles:

- Pillar 1: Quantitative requirements for the purpose of establishing the solvency capital requirement by first determining an “economic balance sheet” focused on risk and valued at market values.

- Pillar 2: Qualitative requirements for the governance of the entities (supervisory processes) that affect the organisation and management of entities that are required to deal with processes to identify, measure and actively manage risk, as well as the prospective assessment of the risks and solvency capital.

- Pillar 3: Transparency requirements regarding the communication of the information required on the one hand by the supervisory authority (DGIPF) and on the other bythe market. The aim of this pillar is to promote market discipline and to contribute to transparency and financial stability.

At the end of the 2015 financial year, the DGIPF authorised the Parent Company to use the following models, in accordance with Directive 2009/138/EC of the European Parliament and of the Council:

- Authorisation for the use of matching adjustment in the relevant risk-free interest rate term structure.

- Use of the internal model for calculating the SCR for longevity and mortality risks.

  In accordance with the implementation timetable provided for by the current regulations, on 20 May 2016 the Parent Company sent to the DGS the final data of the individual economic balance sheet and on 1 July 2016 the Group's balance sheet prepared by the Directors in accordance with the solvency criteria and, derived from said balance, the figures relating to the solvency capital requirement (SCR) and minimum capital requirement (MCR) referring to the date when the new regulations came into effect, i.e. on 1 January 2016, which reflected a fulfilment of the required SCR and MCR levels.

Quantitative information on the Group's exposure to the different risks described is set out below:

Breakdown of credit rating at 31 December 2016 and 2015:

Rating	Thousands of euros			
	Nominal Value		Weighting	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Between AA- and AAA	534,667	552,348	1%	1%
Between A- and A+	1,703,782	1,773,276	3%	3%
Between BBB- and BBB+	61,979,280	53,503,151	96%	95%
Between BB- and BB+	217,979	228,642	-	1%
Between B- and B+	82,000	58,410	-	-
Below B-	100,451	100,000	-	-
Unrated	43,000	43,000	-	-
Total	**64,661,159**	**56,258,827**	**100%**	**100%**

As investment criteria, the different measures of diversification of the risks, by country or by sector, are also taken into account. The data at 31 December 2016 and 2015 are as follows:

Geographical diversification

2016 Financial Year

Country	Thousands of euros					
	Debt securities	Equity instruments	Funds	Derivatives	Loans and deposits in credit entities	Guarantees
Germany	306,318	-	-	-	-	1,503
Australia	1,517	-	-	-	-	-
Austria	44,834	-	-	-	-	-
Belgium	62,583	-	-	-	-	-
Brazil	530	-	-	-	-	-
Canada	10,594	-	-	-	-	-
Denmark	28,900	-	-	-	-	-
Slovakia	1,148	-	-	-	-	-
Spain	42,027,241	981	-	443	496,120	-
United States	553,056	23,576	316,069	-	-	2,623
Finland	2,084	-	-	-	-	-
France	249,382	-	100,019	-	-	-
Guernsey	4,051	-	-	-	-	-
Netherlands	363,814	-	-	-	15,656	-

Country	Thousands of euros					
	Debt securities	Equity instruments	Funds	Derivatives	Loans and deposits in credit entities	Guarantees
Ireland	43,450	-	61,921	-	-	-
Jersey	10,305	-	-	-	-	-
Cayman Islands	19,072	-	-	-	-	-
Italy	2,585,627	-	92,472	-	-	-
Japan	1,004	-	-	-	-	219
Luxembourg	128,617	-	355,354	-	-	-
Mexico	22,809	-	-	-	-	-
Nigeria	6,195	-	-	-	-	-
Norway	9,763	-	-	-	-	-
Portugal	85,864	-	-	-	-	-
United Kingdom	422,414	-	110,442	-	-	-
Czech Republic	4,434	-	-	-	-	-
Sweden	17,233	-	-	-	-	-
Switzerland	10,595	-	21,715	-	-	-
Venezuela	1,058	-	-	-	-	-
Total	**47,024,492**	**24,557**	**1,057,992**	**443**	**511,776**	**4,345**

2015 Financial Year

Country	Thousands of euros				
	Debt securities	Equity instruments	Funds	Derivatives	Loans and deposits in credit entities
Germany	242,234	-	-	-	-
Australia	2,601	-	-	-	-
Austria	66,629	-	-	-	-
Belgium	103,975	-	-	-	-
Canada	11,804	-	-	-	-
Slovakia	1,172	-	-	-	-
Spain	38,189,502	498	-	577	486,474
United States	480,733	819	64,176	-	-
Finland	2,150	-	-	-	-
France	201,711	-	25,149	-	-
Guernsey	4,140	-	-	-	-
Netherlands	342,300	-	-	-	16,982
Ireland	43,248	-	6,165	-	-
Jersey	12,706	-	-	-	-

Country	Thousands of euros				
	Debt securities	Equity instruments	Funds	Derivatives	Loans and deposits in credit entities
Cayman Islands	42,979	-	-	-	-
Italy	1,645,893	-	22,293	-	-
Japan	1,031	-	-	-	-
Luxembourg	129,148	-	71,249	-	-
Mexico	5,435	-	-	-	-
Nigeria	6,138	-	-	-	-
Norway	15,318	-	-	-	-
Portugal	62,185	-	-	-	-
United Kingdom	292,640	-	25,120	-	14,492
Czech Republic	4,351	-	-	-	-
Sweden	22,448	-	-	-	-
Switzerland	-	-	4,872	-	-
Venezuela	1,098	-	-	-	-
Total	**41,933,569**	**1,317**	**219,024**	**577**	**517,948**

Diversification by sector

2016 Financial Year

Sector	Thousands of euros					
	Debt securities	Equity instruments	Funds	Derivatives	Loans and deposits in credit entities	Guarantees
Communications	277,326	346	-	-	-	-
Consumer goods. Non-Cyclical	100,076	-	-	-	-	-
Energy	107,187	-	-	-	-	-
Financial	2,109,988	24,211	1,057,992	443	507,231	4,345
Government	42,604,659	-	-	-	4,545	-
Industrial	1,122,112	-	-	-	-	-
Raw materials	37,603	-	-	-	-	-
Utilities	665,541	-	-	-	-	-
Total	**47,024,492**	**24,557**	**1,057,992**	**443**	**511,776**	**4,345**

2015 Financial Year

Sector	Thousands of euros				
	Debt securities	Equity instruments	Funds	Derivatives	Loans and deposits in credit entities
Communications	277,947	323	-	-	-
Consumer goods. Non-Cyclical	87,636	-	-	-	-
Energy	59,990	-	-	-	-
Financial	3,224,034	994	219,024	577	513,584
Government	36,653,753	-	-	-	4,364
Industrial	1,053,393	-	-	-	-
Raw materials	16,796	-	-	-	-
Utilities	560,020	-	-	-	-
Total	**41,933,569**	**1,317**	**219,024**	**577**	**517,948**

5. VARIATIONS IN ASSOCIATED, GROUP AND MULTI-GROUP COMPANIES

TRANSACTIONS CARRIED OUT DURING THE 2016 FINANCIAL YEAR

During the financial year 2016, the Group had no variations that affect its consolidation perimeter.

TRANSACTIONS CARRIED OUT DURING THE 2015 FINANCIAL YEAR

On 29 April 2015, VidaCaixa, S.A.U. sold AgenCaixa, S.A. Agencia de Seguros, Single-Shareholder Company, to SegurCaixa Adeslas for 2,696 thousand euros. Upon completion of the sale, at the meeting of the Board of Directors of the Parent Company on 6 May 2015, a non-refundable contribution by the Parent Company of 2,000 thousand euros was approved. Said operation did not entail any significant profits or losses for the Group.

On 29 May 2015, the General Assembly of the La Caixa, A.I.E. Insurance Group unanimously agreed to the dissolution and liquidation of the company, which came into effect on 26 June 2015 through the payment of the resulting amount to its shareholders.

PURCHASE OF SEGURCAIXA ADESLAS MINORITY INTERESTS

In 2016, the Group purchased 10,345 shares in SegurCaixa Adeslas from its minority shareholders.

6. FINANCIAL ASSETS

The breakdown of the financial assets at 31 December 2016 is as follows (in thousands of euros):

Investments classified by category of financial assets and type	Cash and other equivalent liquid assets (C&OELA)	Financial assets maintained for negotiation (MFN)	Other financial assets at fair value with changes in the profit and loss account (CFVP&L)	Financial assets available for sale (AFS)	Loans and payments receivable (L&PR)	Total at 31.12.2016
FINANCIAL INVESTMENTS	**869,125**	**443**	**3,351,182**	**47,025,473**	**511,776**	**51,757,999**
Equity instruments	-	-	1,085,913	981	-	1,086,894
- Financial investments in capital	-	-	27,921	981	-	28,902
- Holdings in investment funds	-	-	1,057,992	-	-	1,057,992
Debt securities	-	-	-	47,024,492	-	47,024,492
Investment on behalf of life insurance policyholders who assume the risk of the investment	358,263	-	2,265,269	-	-	2,623,532
Loans	-	-	-	-	474,226	474,226
Other financial assets	-	443	-	-	-	443
Transactions with repurchase agreement	210,005	-	-	-	-	210,005
Deposits in credit entities	-	-	-	-	37,550	37,550
Deposits constituted for accepted reinsurance	-	-	-	-	-	-
Cash and cash equivalents	300,857	-	-	-	-	300,857

Investments classified by category of financial assets and type	Cash and other equivalent liquid assets (C&OELA)	Financial assets maintained for negotiation (MFN)	Other financial assets at fair value with changes in the profit and loss account (CFVP&L)	Financial assets available for sale (AFS)	Loans and payments receivable (L&PR)	Total at 31.12.2016
CREDITS	**-**	**-**	**-**	**-**	**276,557**	**276,557**
Credits through direct insurance and co-insurance operations	-	-	-	-	50,345	50,345
Credits through reinsurance operations	-	-	-	-	13,577	13,577
Other credits	-	-	-	-	212,635	212,635
Value impairment	-	-	-	-	-	-
Total	**869,125**	**443**	**3,351,182**	**47,025,473**	**788,333**	**52,034,556**

The same information for the close of December 2015 is as follows (in thousands of euros):

Investments classified by category of financial assets and type	Cash and other equivalent liquid assets (C&OELA)	Financial assets maintained for negotiation (MFN)	Other financial assets at fair value with changes in the profit and loss account (CFVP&L)	Financial assets available for sale (AFS)	Loans and payments receivable (L&PR)	Total at 31.12.2015
FINANCIAL INVESTMENTS	**11,569,073**	**405**	**2,171,112**	**41,934,067**	**530,032**	**56,204,689**
Equity instruments	-	-	219,843	498	-	220,341
- Financial investments in capital	-	-	819	498	-	1,317
- Holdings in investment funds	-	-	219,024	-	-	219,024
Debt securities	-	-	-	41,933,569	-	41,933,569
Investment on behalf of life insurance policyholders who assume the risk of the investment	114,020	-	1,951,097	-	-	2,065,117
Loans	-	-	-	-	476,990	476,990
Other financial assets	-	405	172	-	-	577
Transactions with repurchase agreement	-	-	-	-	-	-
Deposits in credit entities	11,200,083	-	-	-	53,042	11,253,125
Deposits constituted for accepted reinsurance	-	-	-	-	-	-
Cash and cash equivalents	254,970	-	-	-	-	254,970

Investments classified by category of financial assets and type	Cash and other equivalent liquid assets (C&OELA)	Financial assets maintained for negotiation (MFN)	Other financial assets at fair value with changes in the profit and loss account (CFVP&L)	Financial assets available for sale (AFS)	Loans and payments receivable (L&PR)	Total at 31.12.2015
CREDITS	**-**	**-**	**-**	**-**	**291,367**	**291,367**
Credits through direct insurance and co-insurance operations	-	-	-	-	50,996	50,996
Credits through reinsurance operations	-	-	-	-	5,160	5,160
Other credits	-	-	-	-	235,211	235,211
Value impairment	-	-	-	-	-	-
Total	**11,569,073**	**405**	**2,171,112**	**41,934,067**	**821,399**	**56,496,056**

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

	Level 1	Level 2 (*)	Level 3	Total at 31.12.2016
Financial assets held for trading				
Debt securities	-	-	-	**-**
Derivatives	443	-	-	**443**
Other financial assets at fair value with changes in the profit and loss account				
Debt securities	-	-	-	**-**
Equity instruments	1,085,913	-	-	**1,085,913**
Investments on behalf of life insurance policyholders who assume the risk of the investment	2,049,415	215,854	-	**2,265,269**
Hybrid instruments	-	-	-	**-**
Loans	-	-	-	**-**
Other financial assets	-	-	-	**-**
Deposits in credit entities	-	-	-	**-**
Financial assets available for sale				
Financial investments in capital	46	935	-	**981**
Holdings in investment funds	-	-	-	**-**

	Level 1	Level 2 (*)	Level 3	Total at 31.12.2016
Debt securities	48,029,798	(1,005,306)	-	**47,024,492**
Loans	-	-	-	**-**
Other financial assets without published prices		-	-	**-**
Deposits in credit entities	-	-	-	**-**
Investments held to maturity				
Debt securities	-	-	-	**-**
Total at 31 December 2016	**51,165,615**	**(788,517)**	**-**	**50,377,098**

(*) Corresponds mainly to the valuation of financial swaps associated with fixed-income securities that the Parent Company records jointly as indicated in Note 3.b.

The breakdown of the financial assets, according to the inputs used, at 31 December 2015 is as follows (in thousands of euros):

	Level 1	Level 2	Level 3	Total at 31.12.2015
Financial assets held for trading				
Debt securities	-	-	-	**-**
Derivatives	405	-	-	**405**
Other financial assets at fair value with changes in the profit and loss account				
Debt securities	-	-	-	**-**
Equity instruments	219,843	-	-	**219,843**
Investments on behalf of life insurance policyholders who assume the risk of the investment	1,832,352	118,745	-	**1,951,097**
Hybrid instruments	-	-	-	**-**
Loans	-	-	-	**-**
Other financial assets	172	-	-	**172**
Deposits in credit entities	-	-	-	**-**
Financial assets available for sale				
Financial investments in capital	-	498	-	**498**
Holdings in investment funds	-	-	-	**-**

	Level 1	Level 2	Level 3	Total at 31.12.2015
Debt securities	41,414,049	519,520	-	**41,933,569**
Loans	-	-	-	**-**
Other financial assets without published prices	-	-	-	**-**
Deposits in credit entities	-	-	-	**-**
Investments held to maturity				
Debt securities	-	-	-	**-**
Total at 31 December 2015	**43,466,821**	**638,763**	**-**	**44,105,584**

6.A) FINANCIAL INVESTMENTS

Financial assets held for trading

The movement in this caption, broken down into portfolios, is detailed below (in thousands of euros):

	HFT Derivatives
Net book value at 31 December 2014	**1,339**
Purchases	-
Changes to consolidation method	-
Sales and amortisations	(4,217)
Additions to the consolidation scope	-
Reclassifications and transfers	-
Revaluations against reserves	-
Revaluations against results	105
Registered profit/loss	3,178
Net book value at 31 December 2015	**405**
Purchases	85
Changes to consolidation method	-

	MPN
	Derivats
Sales and amortisations	-
Additions to the consolidation scope	-
Reclassifications and transfers	-
Revaluations against reserves	-
Revaluations against results	(47)
Registered profit/loss	-
Net book value at 31 December 2016	**443**

Investments held in derivatives at 31 December 2016 correspond to a call option on the Euro Stoxx 50 that matures in 2017 and a call option on an issue of Spanish government bonds that matures in 2018. The fair value of such investments has been calculated based on the final listing in organised markets

Financial assets at fair value with changes in the profit and loss account

Presented below is the movement experienced by financial assets classified in the fair value category with changes in profits and loss, all of them valued and recorded at market value in the years 2016 and 2015 (excluding investments by life insurance policyholders who assume the risk of the investment):

Thousands of euros					
Other assets at fair value with changes registered in the profit and loss account	**Holdings in investment funds**	**Financial investments in capital**	**Derivatives**	**Guarantees**	**Total Portfolio**
Net book value at 31 December 2014	**-**	**-**	**-**	**-**	**-**
Purchases	270,504	837	-	-	271,341
Implicit interest accrued	-	-	-	-	-
Sales and amortisations	(53,198)	-	-	-	(53,198)
Reclassifications and transfers	-	-	-	-	-
Revaluations against results	1,718	(18)	172	-	1,872
Registered profit/loss	-	-	-	-	-
Net book value at 31 December 2015	**219,024**	**819**	**172**	**-**	**220,015**
Purchases	774,237	22,572	-	4,345	801,154
Implicit interest accrued	-	-	-	-	-
Sales and amortisations	(9,024)	(837)	-	-	(9,861)
Reclassifications and transfers	-	-	522	-	522
Revaluations against results	73,755	1,022	(694)	-	74,083
Registered profit/loss	-	-	-	-	-
Net book value at 31 December 2016	**1,057,992**	**23,576**	**-**	**4,345**	**1,085,913**

These assets correspond to the management of the Flexible Investment Life Plan.

Given that, in 2015 and 2016, the Parent Company registered the changes in the fair value of these assets in the profit and loss account symmetrically to the variation in the life insurance provision of these insurances, no accounting asymmetry arose that must be corrected.

In the 2016 financial year, capital gains of 79,444 thousand euros and losses of 5,361 thousand euros (4,845 and 2,973 thousand euros respectively in 2015) were obtained due to a change in the value of the investments under the managed portfolio of the Flexible Investment Life Plan product that are included in the “Tangible fixed asset and investment revenue - Profits from tangible fixed assets and investments” and “Tangible fixed asset and investment expenses - Losses from tangible fixed assets and investments” captions respectively, of the technical-life insurance profit and loss account.

The movement of the caption “Investments on behalf of life insurance policyholders who assume the risk of the Investment” is detailed below (in thousands of euros):

	Investment on behalf of life insurance policyholders who assume the risk of the investment
Net book value at 01 January 2014	**1,368,216**
Purchases and accruals	4,135,779
Sales, accruals and depreciations	(3,515,394)
Revaluations against results	(37,504)
Net book value at 31 December 2015	**1,951,097**
Purchases and accruals	1,514,019
Sales, accruals and depreciations	(1,244,126)
Revaluations against results	44,279
Net book value at 31 December 2016	**2,265,269**

During the 2016 financial year, the income net of expenses of investments on behalf of policyholders who assume the risk of the investment amounted to 72,410 thousand euros (18,083 thousand euros in 2015). Said income corresponds to the results for investments, the changes in value of the assets, as well as interest recognised by applying the effective interest method.

The majority of the recognised revaluations credited to the profit and loss account originated from financial instruments listed in organised markets or for those which, being non-listed, the Group has a sufficiently reliable market valuation.

At 31 December 2016, the Group held no hybrid instruments.

Financial assets available for sale

The movement in this caption is detailed below (in thousands of euros):

	AFS		Total
	Equity instruments	Debt securities	
Net book value at 01 January 2015	**476**	**42,536,103**	**42,536,579**
Purchases	-	13,831,687	13,831,687
Implicit interest accrued	-	(130,351)	(130,351)
Sales and amortisations	-	(12,925,682)	(12,925,682)
Reclassifications and transfers	-	-	-
Revaluations against reserves	22	(514,496)	(514,474)
Changes in the losses through impairment of value	-	-	-
Registered profit/loss	-	(863,692)	(863,692)
Net book value at 31 December 2015	**498**	**41,933,569**	**41,934,067**
Purchases	652	12,994,601	12,995,253
Implicit interest accrued	-	(130,240)	(130,240)
Sales and amortisations	(192)	(8,803,649)	(8,803,841)
Reclassifications and transfers	-	-	-
Revaluations against reserves	23	1,365,032	1,365,055
Changes in the losses through impairment of value	-	-	-
Sums transferred to the profit and loss account	-	(334,821)	(334,821)
Net book value at 31 December 2016	**981**	**47,024,492**	**47,025,473**

In 2016, the Group recorded a result of 334,821 thousand euros for disposal of financial investments classified in the caption “Financial assets available for sale”. Said result was generated mainly by disposals of financial investments in order to adapt the terms of the financial investments to the terms of the commitments with insurance policyholders, as well as disposals of financial assets available for sale through standard portfolio management transactions. As a result of these transactions, the Group has recorded profits of 375,768 thousand euros and losses of 124,925 thousand euros, which are recorded, mostly, under the caption “Tangible fixed asset and investment revenue - Profits from tangible fixed assets and investments” and “Tangible fixed asset and investment expenses - Losses from tangible fixed assets and investments” respectively, in the technical-life insurance profit and loss account.

Included in these operations to adapt the financial durations in the month of May 2016, is the disposal of strips of Italian debt that mature between the years 2019 and 2041 inclusive, for an amount of 720,100 thousand euros, replacing them with a bond, also of Italian debt, that matures in the year 2046 for an amount of 636,000 thousand euros. Said operation generated profits of 83,978 thousand euros, which are recorded under the caption “Tangible fixed asset and investment revenue - Profits from tangible fixed assets and investments” of the technical-life insurance profit and loss account.

In 2015, the Group recorded a result of 863,692 thousand euros for disposal of financial investments classified in the caption “Financial assets available for sale”. This result was generated mainly by disposals of financial investments in order to adapt the terms of the financial investments to the terms of the commitments with insurance policyholders, as well as disposals of financial assets available for sale through standard portfolio management transactions. As a result of these operations, the Group recorded profits of 879,216 thousand euros and losses of 15,524 thousand euros, which were recorded, mostly, under the caption “Tangible fixed asset and investment revenue - Profits from tangible fixed assets and investments” and “Tangible fixed asset and investment expenses - Losses from tangible fixed assets and investments” respectively, in the technical-life insurance profit and loss account of the 2015 financial year.

At 31 December 2016, the Group has contracted interest rate swaps formalised with various financial institutions, principally “CaixaBank”, in order to adapt the flows derived from the investment portfolio to the liquidity requirements of the different affected policies, receiving from the various counterparties, in general terms, fixed and/or determinable sums. Their maturity dates are between 2017 and 2066. Although the Group disposes of the valuations of said swaps and their associated bonds, it values them jointly as indicated in Note 3.b.

The explicit fixed-income interest accrued and unpaid at 31 December 2016 totals 832,835 thousand euros (795,127 thousand euros at the close of 2015) and is recorded in the “Other Assets” caption of the accompanying balance sheet. The rest of the balance under this caption relates to the interest accrued and unpaid for the current accounts that the Group maintains with “CaixaBank” and other entities, the accrued but unpaid explicit interest of current accounts and fixed income of Unit Linked, premiums accrued and not issued and advance commissions and other acquisition costs.

The majority of the recognised revaluations credited to the reserves, net of the corresponding tax effect, originated from financial instruments listed in organised markets or for those which, being non-listed, the Group as a sufficiently reliable market valuation. These revaluations are principally imputed to life insurance policyholders. As a consequence of this, the Group's equity and the deferred taxes are not affected, since the counterpart of the variations in these capital gains net of losses are the life insurance reserves.

The Parent Company holds a framework contract of financial operations, entered into with "CaixaBank" on 20 July 2005. On 15 March 2016, the Company, along with the counterparty, incorporated an additional stipulation to said contract, committing the Parent Company to leave under guarantee an amount that would be renewable on a quarterly basis. On 31 December 2016, there were 2,650,000 thousand euros under the guarantee item and it was made up of negotiable financial government bonds issued by the Government of Spain.

Loans and payments receivable

The movement in this caption is detailed below (in thousands of euros):

	Non-mortgage loans and advance payments on policies	Deposits in credit entities	Total
Net book value at 01 January 2015	**221,142**	**55,837**	**276,979**
Purchases	716,403	3,336	719,739
Implicit interest accrued	5,499	(1,843)	3,656
Changes to consolidation method	-	-	-
Sales and amortisations	(466,054)	(4,288)	(470,342)
Additions to the consolidation scope	-	-	-
Reclassifications and transfers	-	-	-
Revaluations against reserves	-	-	-
Changes in the losses through impairment of value	-	-	-
Net book value at 31 December 2015	**476,990**	**53,042**	**530,032**
Purchases	1,554,568	-	1,554,568
Implicit interest accrued	(717)	1,737	1,020
Changes to consolidation method	-	-	-
Sales and amortisations	(1,556,615)	(17,229)	(1,573,844)
Additions to the consolidation scope	-	-	-
Reclassifications and transfers	-	-	-
Revaluations against reserves	-	-	-
Changes in the losses through impairment of value	-	-	-
Net book value at 31 December 2016	**474,226**	**37,550**	**511,776**

Investments held to maturity

In 2016 and 2015, the Group assigned no financial assets to said portfolio.

6.a.1) Financial investments in capital and holdings in investment funds

The following is the breakdown of the balances in this sub-caption at 31 December 2016 and 2015:

	Thousands of euros			
	AFS Portfolio		CFVP&L Portfolio	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Shares in Spanish listed companies	46	-	8,681	4,163
Shares in Spanish unlisted companies	935	498	-	-
Shares in foreign listed companies	-	-	169,551	84,883
Spanish listed ETFs			1,057	1,263
Foreign listed ETFs	-	-	187,832	119,700
Spanish investment funds	-	-	81,333	81,249
Foreign listed investment funds	-	-	1,337,251	410,635
Total	**981**	**498**	**1,785,705**	**701,893**

At 31 December 2016, the Group holds shares in the company “Tecnologías de la información y redes para las entidades aseguradoras, S.A.” (346 thousand euros), in the company GestiCaixa (346 thousand euros), and in the mutual fund of various Voluntary Social Welfare Entities (243 thousand euros), and has purchased some shares in Caixabank, S.A. (46 thousand euros).

For the shares in unlisted companies, their fair value has been calculated using valuation techniques that are generally accepted within the financial sector.

6.a.2) Fixed income securities

The following is the breakdown of the balances included in this sub-caption:

	Thousands of euros	
	31.12.2016	31.12.2015
	AFS Portfolio (1)	AFS Portfolio (1)
Public debt and Government obligations and bonds	38,101,225	32,845,440
Other Public Administration	1,790,507	3,133,467
Issued by financial companies	923,865	847,760
Foreign public debt	2,712,926	1,775,823
Issued by foreign financial companies	1,186,123	1,148,879
Other fixed income securities	2,309,846	2,182,200
Total	**47,024,492**	**41,933,569**

(1) Portfolio of Assets Available for Sale

The maturity dates of the securities included in this sub-caption, according to their allocation portfolio at 31 December 2016 and 2015, and taking into consideration their fair value, are as follows:

	Thousands of euros	
	31.12.2016	31.12.2015
Maturity	**AFS Portfolio**	**AFS Portfolio**
Less than 1 year	1,949,527	1,817,698
1 to 3 years	2,854,542	2,427,232
3 to 5 years	3,281,150	2,064,738
5 to 10 years	10,894,971	8,272,906
10 to 15 years	8,334,512	9,140,793
15 to 20 years	6,208,678	5,843,818
20 to 25 years	10,468,681	6,806,813
More than 25 years	3,032,431	4,559,571
Total	**47,024,492**	**41,933,569**

6.a.3) Investments of insurance policyholders who assume the risk of the investment

The following is the breakdown by investment type at 31 December 2016 and 2015:

Investment on behalf of life insurance policyholders who assume the risk of the investment	Thousands of euros			
	31.12.2016		31.12.2015	
	CFVP&L	Other assets	CFVP&L	Other assets
Financial investments in capital	343,545	-	209,190	-
Holdings in investment funds	360,592	-	272,860	-
Fixed-income securities	1,332,984	-	1,356,211	-
Deposits in credit entities	213,463	-	112,836	-
Derivatives	(195)	-	-	-
Guarantees	14,880	-	-	-
Cash and other equivalent assets	-	358,263	-	114,020
Loans and payments receivable	-	197	-	114
Accruals	-	10,864	-	9,846
Total	**2,265,269**	**369,324**	**1,951,097**	**123,980**

The following is an annual breakdown of maturity dates of fixed-income securities and other financial assets:

	Thousands of euros	
	31.12.2016	31.12.2015
Maturity	**CFVP&L**	**CFVP&L**
Less than 1 year	75,203	179,221
1 to 3 years	685,026	572,206
3 to 5 years	275,129	369,386
5 to 10 years	494,892	343,927
More than 10 years	16,002	4,307
Total	**1,546,252**	**1,469,047**

The variation during the 2016 financial year of the gains net of losses of these assets totalled 44,279 thousand euros (losses valued at 37,504 thousand euros in 2015). They are recorded in the “Revenue and expenses for investments subject to insurance in which the policyholder assumes the risk of the investment” caption in the profit and loss account of the Life segment.

6.a.4) Loans and Other Assets without publication of prices

The following is the detail of the balances that make up this sub-caption at 31 December 2016 and 2015:

	Thousands of euros	
	31.12.2016	31.12.2015
Non-mortgage loans and advance payments on policies:		
- Unlisted loans	463,016	464,906
- Advance payments on policies	11,210	12,084
Mortgage loans:	**-**	**-**
Deposits in credit entities:	**37,550**	**53,042**
Deposits constituted for accepted reinsurance:	**-**	**-**
Total	**511,776**	**530,032**

The balance of the "Loans and payments receivable - Loans to group and associated companies" caption mainly includes the deposits and acquisitions with a buy-back clause whose duration from the acquisition date is more than 3 months.

At 31 December 2016, the Parent Company held 18 deposits contracted with "CaixaBank" for an amount of 368,211 thousand euros that present a weighted average IRR of 0.35% with maturity dates between the years 2017 and 2019 inclusive and 3 deposits for a total amount of 90,150 thousand euros maturing in 2019 that present a weighted average IRR of 8.37%.

Also, this caption contains 3 acquisitions with a buy-back clause for an amount of 4,545 thousand euros maturing in 2017 with a weighted average IRR of 2.42%.

Said deposits and acquisitions with a buy-back clause have generated revenue of 7,057 thousand euros and are recorded under "Income from financial investments" of the technical profit and loss account for life insurance.

Under the caption "Deposits in Credit Entities" the Parent Company registers 49 deposits contracted mainly with Santander, BBVA and Royal Bank of Scotland for a total amount of 37,550 thousand euros. The maturity dates of said deposits vary between the years 2017 and 2044 and their weighted average IRR amounts to 5.55%.

6.B) CREDITS

The following is the breakdown of the credits derived from insurance, reinsurance and co-insurance contracts at 31 December 2016 and 2015:

	Thousands of euros	
	L&PR	
	31.12.2016	31.12.2015
Credits through direct insurance and co-insurance operations:		
- Insurance policyholders – receipts pending:		
Direct and co-insurance business	39,305	41,251
Premiums accrued and not issued	1,661	1,642
(Reserve for premiums pending payment)	(7,401)	(2,603)
- Brokers:		
Pending balances with brokers	12,481	2,399
(Reserve for impairment of balance with brokers)	-	-
- Accounts receivable for co-insurance operations:		
Pending balances with co-insurers	4,299	8,307
(Reserve for impairment of balance with co-insurers)	-	-
Credits through reinsurance operations:		
Pending balance with reinsurance companies	13,577	5,160
(Reserve for impairment of balance with reinsurance)	-	-

	Thousands of euros	
	L&PR	
	31.12.2016	31.12.2015
Other credits:		
Rest of credits	212,635	235,211
(Reserve for impairment of other credits)	-	-
Total	**276,557**	**291,367**

Recorded in the "Other Credits - Rest of Credits" caption of the attached balance sheet are some assets for the various emphyteutic censuses of the Parent Company with the Generalitat de Catalunya, which at 31 December 2016 and 2015 represent amounts of 7,218 and 13,336 thousand euros, respectively. Said censuses generated income for a value of 800 and 1,247 thousand euros in the financial years 2016 and 2015, respectively. The maturity dates of the loans vary between the years 2017 and 2018 and their implicit interest rates between 6.30% and 8.27%.

On 29 November 2012, the Company signed two reinsurance operations with Berkshire Hathaway Life Insurance Company of Nebraska (hereinafter, the "reinsurer").

The first was a proportional quota-share reinsurance contract for the transfer of 100% of the portfolio for Family Life and Seviam products effective until 31 December 2012. The duration of the reinsurance contract is indefinite or, failing that, up to the expiry of the portfolio of said insurance contracts, covering the risk of death. The second transaction is an annuity reinsurance contract in effect until 1 October 2012, with the aim of covering the longevity risk assigned to said portfolio. The agreed expiry date will be 30 September 2022 or the date that coincides with the end of the covered obligations.

As a consequence of said operations, at 31 December 2016, the Parent Company has an amount of 10,030 thousand euros under the “Credits through reinsurance operations” caption of the accompanying balance sheet, recorded as receipts and payments pending with the reinsurer.

The movement and detail of the losses of value recorded during 2016 and 2015 are set out in the following table, the different variations having been recorded in the “Net reinsurance premiums imputed” and “Net operating expenses” captions in the profit and loss account applicable to each segment.

	Reserve for pending premiums	Reserve for impairment of balance with reinsurance	Reserve for impairment of balance with broker
Balances at 31 December 2014	**(3,001)**	**-**	**-**
Allocations charged to profit and loss account	(2,603)	-	-
Applications with payment to profit and loss account	3,001	-	-
Balances at 31 December 2015	**(2,603)**	**-**	**-**
Allocations charged to profit and loss account	(7,401)	-	-
Applications with payment to profit and loss account	2,603	-	-
Balances at 31 December 2016	**(7,401)**	**-**	**-**

The breakdown of other credits in the consolidated balance sheet at 31 December 2016 and 2015 is as follows:

Rest of Credits:	Thousands of euros	
	31.12.2016	31.12.2015
Administration fees and other fees receivable	31,074	43,076
Other debtors	160,917	155,246
Creditors for securities	20,644	36,888
Total	**212,635**	**235,210**

7. JOINT VENTURES

At the close of the financial year 2016, the Group held a direct and indirect share of 74.96% in a Temporary Joint Venture (TJV).

On 5 December 2011, the Group, via its parent company VidaCaixa, S.A.U., incorporated a TJV at 50% with SegurCaixa Adeslas, S.A. de Seguros y Reaseguros, pursuant to Law 18/1982 of 26 May, called “UTE SEGURCAIXA ADESLAS, S.A. Y VIDACAIXA, S.A., Unión Temporal de Empresas Ley 18/1982, de 26 de mayo (temporary joint venture Law 18/1982, of 26 May)” with the purpose of contracting corporate and personal life and accident policies to the executives and other personnel of Bilbao City Council.

The term of the TJV is 6 years, beginning its operations on 1 January 2012, and its address for tax purposes is in Barcelona, Carrer de Juan Gris 20-26, Torre Norte del Complejo “Torres Cerdá”, piso 3º. Its members specify that the financing of the common activities is charged to the common operating fund that they have set up with an initial contribution of 123 thousand euros, of which both parties paid half. Also, the member companies participate in equal share in the distribution of results and in the income and expenses of the TJV, having joint and unlimited responsibility before third parties for the acts and operations that the TJV performs for joint benefit.

The assets of the TJV’s balance sheet and profit and loss account had a balance below one thousand euros at 31 December 2016.

8. HOLDINGS IN COMPANIES VALUED BY THE EQUITY METHOD

The breakdown of the companies valued by the equity method is included in the accompanying Annex I.

The movement of these shareholdings in the capital of unlisted companies in which the Group exercises a significant influence during 2016 is as follows:

Company	Thousands of euros				
	Balances at 31.12.2015	Consolidation scope additions and withdrawals	Increases through year result	Other variations through valuation	Balances at 31.12.2016
Grupo SegurCaixa Adeslas, S.A. de Seguros y Reaseguros	1,026,721	-	41,897	-	1,068,618
Gross total	**1,026,721**	**-**	**41,897**	**-**	**1,068,618**
Impairment losses	-	-	-	-	-
Net total	**1,026,721**	**-**	**41,897**	**-**	**1,068,618**

9. TANGIBLE FIXED ASSETS AND PROPERTY INVESTMENTS

9.A) TANGIBLE FIXED ASSETS

According to their nature, the following is the breakdown of the items making up the balance of this caption and sub-caption of the consolidated balance sheet at 31 December 2016 (in thousands of euros):

	Buildings for own use	Furniture and fittings	Data processing equipment	Other tangible fixed assets	Total
Cost at 31 December 2015	**17,839**	**8,139**	**1,861**	**-**	**27,839**
Accumulated amortisation at 01 January 2016	**(1,488)**	**(1,714)**	**(1,191)**	**-**	**(4,393)**
Impairment losses	**(2,968)**	**-**	**-**	**-**	**(2,968)**
Net Book Value at 1 January 2016	**13,383**	**6,425**	**670**	**-**	**20,478**
Investments or additions	-	665	301	-	966
Reclassifications and transfers	-	-	-	-	-
Sales and disposals	-	(105)	-	-	(105)
Depreciation of financial year	(272)	(850)	(252)	-	(1,374)
Reclassifications and transfers of the depreciation	-	-	-	-	-
Disposals of the depreciation	-	5	1	-	6
Losses/Applications for Impairment	2,521	-	-	-	2,521
Net book value at 31 December 2016	**15,632**	**6,140**	**720**	**-**	**22,492**

The composition of the net book value on 31 December 2016 in thousands of euros is listed below:

	Buildings for own use	Furniture and fittings	Data processing equipment	Other tangible fixed assets	Total
Cost at 31 December 2016	**17,839**	**8,699**	**2,162**	**-**	**28,700**
Accumulated amortisation at 31 December 2016	**(1,760)**	**(2,559)**	**(1,442)**	**-**	**(5,761)**
Impairment losses	**(447)**	**-**	**-**	**-**	**(447)**
Net book value at 31 December 2016	**15,632**	**6,140**	**720**	**-**	**22,492**

The following is the movement and breakdown corresponding to the 2015 financial year (in thousands of euros):

	Buildings for own use	Furniture and fittings	Data processing equipment	Other tangible fixed assets	Total
Cost at 31 December 2014	**17,839**	**5,852**	**5,654**	**-**	**29,345**
Accumulated amortisation at 01 January 2015	**(1,217)**	**(1,126)**	**(4,621)**	**-**	**(6,964)**
Impairment losses	**(2,968)**	**-**	**-**	**-**	**(2,968)**
Net Book Value at 1 January 2015	**13,654**	**4,726**	**1,033**	**-**	**19,413**
Investments or additions	-	2,767	153	-	2,919
Reclassifications and transfers	-	-	-	-	-
Sales and disposals	-	(479)	(3,947)	-	(4,426)
Depreciation of financial year	(271)	(777)	(501)	-	(1,549)
Reclassifications and transfers of the depreciation	-	-	-	-	-
Disposals of the depreciation	-	188	3,933	-	4,121
Impairment losses	-	-	-	**-**	-
Net book value at 31 December 2015	**13,383**	**6,425**	**670**	**-**	**20,478**

	Buildings for own use	Furniture and fittings	Data processing equipment	Other tangible fixed assets	Total
Cost at 31 December 2015	**17,839**	**8,139**	**1,861**	**-**	**27,839**
Accumulated depreciation at 31 December 2015	**(1,488)**	**(1,714)**	**(1,191)**	**-**	**(4,393)**
Impairment losses	**(2,968)**	**-**	**-**	**-**	**(2,968)**
Net book value at 31 December 2015	**13,383**	**6,425**	**670**	**-**	**20,478**

At 31 December 2016 and 2015, the Group has full rights of ownership over the buildings for own use. Furthermore, the Group has no commitment to acquire new properties. At the close of the 2016 and 2015 financial years, all tangible assets of the Group are used directly for operational purposes.

On 29 June 2010, the Parent Company acquired a property for the amount of 17,839 thousand euros from the company Anaemba, S.A., for 32 buildings located in carrer Juan Gris, 2 - 8 de Barcelona, Edificio “Torre Sur”. These properties are subject to a mortgage, subrogated with Banif, S.A. with an expiry date of 17 June 2019 and an outstanding capital at 31 December 2016 of 1,359 thousand euros (see Note 13).

The market value at 31 December 2016 of the properties used by the Group is summarised below (in thousands of euros):

	Market value at 31.12.2016			
	Non-life Segment	Life segment	Other activities segment	Total
Buildings for own use	-	15,700	-	15,700

During the 2016 financial year, the Group recorded a reversal of the impairment of tangible fixed assets and property investments of 2,541 thousand euros.

9.B) PROPERTY INVESTMENTS

The breakdown and movement of this consolidated balance sheet caption is as follows (in thousands of euros):

2016 Financial Year:

	Property investments third-party use
Cost at 31 December 2015	**802**
Accumulated depreciation at 31 December 2015	(28)
Impairment losses	(168)
Net book value at 31 December 2015	**606**
Investments or additions	-
Changes to consolidation method	-
Reclassifications and transfers	-
Sales and disposals	-
Depreciation of financial year	(2)
Changes to consolidation method	-
Reclassifications and transfers of the depreciation	-

	Property investments third-party use
Disposals of the depreciation	-
Reversal of losses through impairment	20
Net book value at 31 December 2016	**624**

Breakdown of Net Book Value at 31 December 2016	Property investments third-party use
Cost at 31 December 2016	**802**
Accumulated amortisation at 31 December 2016	(30)
Impairment losses	(148)
Net book value at 31 December 2016	**624**

2015 Financial Year:

	Property investments third-party use
Cost at 31 December 2014	**802**
Accumulated depreciation at 31 December 2014	(26)
Impairment losses	(168)
Net book value at 31 December 2014	**608**
Investments or additions	-
Changes to consolidation method	-
Reclassifications and transfers	-
Sales and disposals	-
Depreciation of financial year	(2)
Changes to consolidation method	-
Reclassifications and transfers of the depreciation	-
Disposals of the depreciation	-
Reclassification of losses through impairment	-
Net book value at 31 December 2015	**606**

	Property investments third-party use
Cost at 31 December 2015	**802**
Accumulated depreciation at 31 December 2015	(28)
Impairment losses	(168)
Net book value at 31 December 2015	**606**

The Group has full rights of ownership over the same and no additional commitments to the acquisition of new tangible assets.

At the close of the 2016 and 2015 financial years, there were no restrictions for making new property investments or for receiving income from the same, or concerning income obtained from a possible transfer.

The market value of the Group's property investments at 31 December 2016 is summarised below (in thousands of euros):

	Market value at 31.12.2016			
	Non-life Segment	Life Segment	Other Activities Segment	Total
Property investments third-party use	-	2,329	-	2,329

At the close of the financial year no additional compensation was shown that revealed the market value of property investments.

10. INTANGIBLE FIXED ASSETS

The movements that occurred in this caption during the 2016 and 2015 financial years are set out in the accompanying Annexes II and III, respectively.

The breakdown of Goodwill and Intangible Assets is as follows, according to the nature and type of the companies of origin:

Goodwill	Thousands of euros	
	31.12.2016	31.12.2015
la Caixa Gestión de Pensiones, E.G.F.P., S.A.U.	3,407	3,407
Fortis holding value	330,930	330,930
Insurance companies of Banca Cívica	249,240	249,240
	583,577	**583,577**

At 31 December 2016 and 2015, the Group's goodwill amounted to 583,577 thousand euros and was generated by the following operations:

- Merger by absorption of "la Caixa Gestión de Pensiones, E.G.F.P., S.A.U." (previously called Morgan Stanley Gestión Pensiones, E.G.F.P, S.A.U), carried out by VidaCaixa, S.A.U. in the 2008 financial year. The record of assets and liabilities stemming from said merger showed a goodwill of 3,407 thousand euros.

- Merger by absorption of VidaCaixa Grupo in 2013. The record of assets and liabilities stemming from said merger shows a goodwill of 330,930 thousand euros associated with the holding in VidaCaixa, S.A.U. Said goodwill originated in 2008 when CaixaBank (previously Criteria CaixaCorp, S.A.) acquired from Fortis the latter's holding in VidaCaixa, S.A.U.

- Acquisition and subsequent merger during 2013 of the companies Banca Cívica Vida y Pensiones, CajaSol Vida y Pensiones and CajaCanarias Vida y Pensiones which generated goodwill of 245,611 thousand euros. Pursuant to the regulations, the Group had 12 months from the date of acquisition of said Companies to adjust the fair value of the combination of businesses. In 2014, the Group readjusted the value of the goodwill registered at 31 December 2014 for an amount of 249,240 thousand euros.

The goodwill that arose in these operations was assigned to the cash-generating unit (hereinafter CGU) of the Parent Company's Life and Pensions Insurance Business and reflects the way in which the Senior Management monitors the entity's business in a single CGU.

At least once a year, the Parent Company performs an impairment test of the overall CGU. The valuation of the CGU performed by the Parent Company is based on the Dividend Discount Model (DDM) considering the minimum regulatory capital. Said model, widely accepted by the financial community, is based on the projection of dividends that the Parent Company expects for the coming financial years. For this, some 5-year projections were made, based on the operational plans of the Parent Company, and the flows until maturity have been taken into account for the savings business. To determine the residual value from the projections, a growth rate of 2% has been taken, based on estimates of the most relevant macroeconomic variables applied to the Parent Company's activity. Also, a discount rate of 9.07% applied in the projections is considered, calculated on the interest rate of the 10-year sovereign Spanish bond, plus an associated country risk premium. The fall rates of the projected portfolio are based on internal studies of the actual experience of the Parent Company.

In addition to the central scenario, possible variations in the model's principal hypotheses have been calculated and a sensitivity analysis of the most significant variables has been conducted (increasing and decreasing the growth rate and the discount rate by 100 basic points). At 31 December 2016, no reasonably possible change in the key assumptions of the projection of income and expenditure would entail that the carrying amount would exceed its fair value.

The details of Other intangible assets by origin are as follows:

Intangible Assets	Thousands of euros	
	31.12.2016	31.12.2015
Computer programs and other intangible assets	20,382	19,005
la Caixa Gestión de Pensiones, E.G.F.P., S.A.U	2,028	2,565
Fortis holding value	18,190	36,380
Banca Cívica Vida y Pensiones	42,698	50,124
CajaSol Vida y Pensiones	8,694	10,085
CajaCanarias Vida y Pensiones	5,356	6,213
Caja Guadalajara	633	723
Banco Valencia Funds	1,171	1,335
Barclays Vida y Pensiones – Pension Funds	7,655	-
Barclays Vida y Pensiones – Risk Portfolio	12,600	-
Acquisition expenses	58,584	67,909
	177,991	**194,339**

The intangible assets recorded as a consequence of business combinations are, basically, as follows:

- Intangible assets associated with the acquisition in 2013 of Banca Cívica Vida y Pensiones, CajaSol Vida y Pensiones and CajaCanarias Vida y Pensiones for an initial amount of 72,401, 14,876 and 9,424 thousand euros respectively and calculated based on the best estimate of expected cash flows, assuming a constant growth rate of 2% and discounted at a rate of 8.62%, calculated on the interest rate of the 10-year Spanish bond, plus a risk premium associated with the insurance business. Pursuant to standard IFRS 3, the Parent Company had 12 months from the date of acquisition of said companies to adjust the fair value of the business combination. In 2014, the Parent Company readjusted the initial value of the intangible assets, fixing them at 72,401, 13,911 and 8,570 thousand euros, respectively. The net value of the same at 31 December 2016 was 42,698, 8,694 and 5,356 thousand euros respectively. In the annual valuation of said intangibles, the Parent Company projected its expected cash flows until expiry. To complement the hypotheses used in the valuation model, the Parent Company conducted a sensitivity analysis on the most significant variables, without any significant deviations having arisen from the same that would reveal the need to make allocations in the financial year. The amortisation associated with said intangible assets in 2016 amounted to 9,674 thousand euros at 31 December 2016. The remaining useful life of said intangibles is 6 years.

- Intangible assets associated with the merger by absorption in 2013 of the VidaCaixa Group, whose assets and liabilities stemming from said merger have been registered, showing the values in consolidated books of the "la Caixa" Group, revealing an initial net intangible asset of 90,951 thousand euros associated with the consolidated book value of the holding of VidaCaixa, S.A.U. that was held by VidaCaixa Group. The amortisation of said intangible asset in 2016 amounts to 18,190 thousand euros, recorded under the "Other expenses" caption of the Non-Technical Account. The useful life of said intangible asset is 10 years. On the date of said merger by absorption, the pending useful life was 5 years. The remaining useful life of said intangible asset at 31 December 2016 is 1 year.

- Intangible asset associated with the merger by absorption of "la Caixa Gestión de Patrimonios, E.G.F.P., S.A.U." (previously called Morgan Stanley Gestión Pensiones, E.G.F.P, S.A.U), carried out by VidaCaixa, S.A.U. in the 2008 financial year. Deriving from this, an intangible asset was identified for a value of 6,953 thousand euros. The amortisation of the asset in 2016 amounted to 579 thousand euros, registered under the "Other expenses" caption of the Non-Technical Account. The useful life of said intangible asset is 12 years and the remaining useful life at 31 December 2016 is 3.5 years.

- On 29 January 2014, the Parent Company registered the partial transfer of the portfolio through which the entity Caja de Seguros Reunidos Compañía de Seguros y Reaseguros, S.A. (CASER) transferred to VidaCaixa, S.A.U. (as universal successor of CajaSol Vida y Pensiones de Seguros y Reaseguros, S.A.) all of the life risk insurances existing on the date of the portfolio transfer, with the exception of the collective insurances comprising pension commitments, taken out by the assignor and brokered by the banking-insurance operator, Caja Guadalajara. As a result of this, the Parent Company registered the amount arising from said agreement for 894 thousand euros as intangible fixed assets. The amortisation of the asset in 2016 amounted to 90 thousand euros. The useful life of said intangible asset is 10 years and the remaining useful life at 31 December 2016 is 7 years.

- In February 2014, VidaCaixa, S.A.U. integrated the pension plans contained in the “Agreement to mobilize Pension Plans between Bankia Mediación, Operador de Bancaseguros Vinculado S.A.U.; CaixaBank, S.A.; VidaCaixa, S.A.U. de Seguros y Reaseguros and Aseguradora Valenciana de Seguros y Reaseguros, S.A.”. As a result of this, the Parent Company registered the amount arising from said agreement for 1,635 thousand euros as intangible fixed assets. The amortisation of the asset in 2016 amounted to 163 thousand euros. The useful life of said intangible asset is 10 years and the remaining useful life at 31 December 2016 is 7 years.

- On 10 June 2016, VidaCaixa proceeded to integrate the pension plans of Barclays Vida y Pensiones S.A.U. arising from the agreement signed between both companies during the 2015 financial year. As a result of this, the Parent Company registered the amount arising from said agreement for 8,111 thousand euros as intangible fixed assets. The amortisation of the asset in 2016 amounted to 455 thousand euros. The useful life of said intangible asset is 10 years and the remaining useful life at 31 December 2016 is 9.5 years.

- On 31 October 2016, the Parent Company registered the part of the Barclays Vida y Pensiones Compañía de Seguros S.A.U. portfolio transfer related to its risk products in accordance with the Framework Agreement signed between both Companies in the 2015 financial year. As a result of this, the Parent Company recorded 13,011 thousand euros as intangible fixed assets. Subsequently, on 30 December 2016, a part of the portfolio acquired on 31 October 2016 was transferred to CNP Partners de Seguros y Reaseguros S.A. Specifically, the transfer of the “Barclaycard” portfolio and the transfer of the “Caja Rural” portfolio went ahead for a total amount of 194 thousand euros. Given the proximity of the dates of both operations, the amount charged for transferring the portfolio to CNP was deducted from the initially-estimated intangible assets, with VidaCaixa registering neither a profit nor loss for said operation. Therefore, the gross amount finally activated by the risk part of the Barclays Vida y Pensiones Compañía de Seguros, S.A.U. portfolio transfer amounted to 12,817 thousand euros. The amortisation of the asset in 2016 amounted to 218 thousand euros. The useful life of said intangible asset is 10 years.

As a government concession, deriving from the operation to purchase Edificio Torre Sur, located in Carrer de Juan Gris 2-8, Barcelona, 1,221 thousand euros were collected that were activated in 2010. The Parent Company amortises said asset in the 50-year period since the start of the concession. In 2012, the Parent Company registered an impairment for an amount of 89 thousand euros. In 2014, an impairment of 113 thousand euros was registered. During the 2016 financial year, part of the impairment was reversed, being fixed at 135 thousand euros.

Included in the acquisition costs are the cash premiums that are payable directly by the Parent Company, the fixed-term deposits paid by “CaixaBank” and the gifts-in-kind assumed by PromoCaixa associated with certain new types of pension plans and insurance products. The Group activates the amount of said rewards and amortises them over a maximum term of 5 years, taking into account the movements and falls in the portfolio.

Computer programs are also included under this caption, whereby the Parent Company records in this account the costs incurred in the acquisition and development of computer programmes, provided that it intends to use them over several financial years. The maintenance costs for Computer programs are registered in the profit and loss account of the financial year in which they are incurred.

Also, some computer programs have been written off for an amount of 3,547 thousand euros, recording this amount in the consolidated profit and loss account for the 2016 financial year.

At the close of the 2016 and 2015 financial years, the Group had fully amortised intangible fixed assets that continued in use, pursuant to the following list (in thousands of euros):

Description	Book value 2016 (Gross)	Book value 2015 (Gross)
Computer programs	3,009	17,521
Total	**3,009**	**17,521**

11. LEASES

11.1 THE GROUP ACTING AS A LESSOR

At the close of the 2016 and 2015 financial years, the main operating lease that the Group had contracted in its position of lessor is as follows:

- Lease of several parking spaces located on the underground floors of the Edificio Torre Sur, located in carrer Juan Gris 2-8, Barcelona. The rents received during the 2016 and 2015 financial years amounted to 19 thousand euros and 23 thousand euros respectively.

11.2 THE GROUP ACTING AS A LESSEE

At the close of the 2016 and 2015 financial years, the main operating lease that the Parent Company had contracted in its position of lessee is as follows:

- Lease of the 3rd floor of the office located in calle Recoletos 37-41, Madrid. The rents paid during the 2016 and 2015 financial years amounted to 499 thousand euros and 520 thousand euros respectively.

At 31 December 2016, the Group had contracted the following minimum lease rents with the lessors, pursuant to the current valid contracts, not taking into account the repercussion of shared costs, future increases in the CPI, or future updates of contractually agreed rents (in thousands of euros):

Operative Leases Minimum payments	Thousands of euros	
	2016	2015
Less than 1 year	351	351
Between 1 and 5 years	467	818
More than 5 years	-	-
Total	**818**	**1,169**

The amount of the operating lease and sub-lease rents recognised, respectively, as expenditure and income during the 2016 and 2015 financial years is as follows:

	Thousands of euros	
	2016	2015
Lease payments	499	520
(Subletting rents)	-	-
Total	**499**	**520**

12. TAX SITUATION

Corporate income tax is based on each Company's reported profits calculated by application of generally accepted accounting principles, which do not necessarily agree with the fiscal results, this being understood as the tax base of the tax.

A) TAX CONSOLIDATION REGIME

The Companies of the Group and its subsidiaries are in the tax consolidation regime within the CaixaBank Tax Group, and therefore the balances payable for said items are recorded under Debts with Group Companies in the "Debits and payable items" caption of the attached balance sheet.

From 1 January 2008 up to the 2012 financial year, with the prior authorisation of the Tax Administration, the consolidated companies paid Corporation Tax under the Fiscal Consolidation Regime jointly with "la Caixa" and with the rest of the companies which, in accordance with the applicable regulations of each financial year, make up the tax consolidation group. From 2013, the Parent Company of the tax group changed to CaixaBank, S.A. The profits determined in compliance with the tax legislation for this consolidated tax group are subject to a rate of tax of 30% on the tax base in 2016 (see Note 3.g).

B) ASSETS AND LIABILITIES THROUGH CURRENT TAX

The assets and liabilities through current tax consist of fiscal credits and debts which are expected to be offset at the moment of settlement of corporation tax with the Tax Administration. Given that the Group pays taxes under the tax consolidation regime, at 31 December 2016 and 2015, no assets and liabilities through current tax were shown.

C) ASSETS AND LIABILITIES THROUGH DEFERRED TAX

At 31 December 2016, the Group has assets and liabilities for deferred taxes for the amount of 280,417 and 318,335 thousand euros respectively, 300,150 and 335,999 thousand euros at 31 December 2015, recorded under the sub-captions "Deferred tax assets" and "Deferred tax liabilities".

The deferred taxes that are credited or charged directly to the statement of recognised revenue and expenses (basically, the valuation adjustments derived from the classified financial instruments in the "available for sale" portfolio) have been recorded through said account with having any effect on the consolidated profit and loss account for the 2016 financial year.

D) TAXES CHARGED ON EQUITY AND DEFERRED TAXES

The following is the breakdown of the taxes:

Deferred tax assets	Thousands of euros	
	31.12.2016	31.12.2015
Sales for variable income	-	-
Deductions pending application	222,473	237,314
Losses of financial assets available for sale	-	-
Levelling of technical reserves	19,825	17,757
Other	38,119	45,079
Total	**280,417**	**300,150**

The deferred tax assets were recorded in the balance sheet since the Directors of the Parent Company consider that, in accordance with the best estimate regarding its future results, including certain tax planning measures, it is likely that these assets will be recovered.

Deferred tax liabilities	Thousands of euros	
	31.12.2016	31.12.2015
Liabilities amortisation intangible assets	20,867	28,948
Levelling of technical reserves	277,678	277,678
Sales of variable income securities	-	-
Gains of financial assets available for sale	2,053	68
Other	17,737	29,305
Total	**318,335**	**335,999**

The deferred tax associated with the levellings of technical reserves is linked, in the 2016 financial year, to the value levelling adjustments arising from the results of the Liabilities Sufficiency Test in the Technical reserves.

E) RECONCILIATION OF THE BOOK RESULTS AND CORPORATION TAX EXPENSES

The following is the breakdown of the corporation tax expense of companies reflected in the attached consolidated profit and loss account for the financial years 2016 and 2015:

	Thousands of euros	
	2016	2015
	CaixaBank Tax Group	CaixaBank Tax Group
Locally based taxable income before taxes	**746,671**	**415,992**
Consolidation and application of IFRS adjustments	(202,487)	(2,323)
Impact of permanent differences	(41,007)	(74,167)
Taxable income of Group	**503,177**	**339,502**
Payable value (30%)	**150,953**	**101,850**
Deductions	(422)	(106)
Other	541	(844)
Net tax payable	**151,072**	**100,900**
Reversal of deferred taxes	-	-
Total expense for taxation recognised in the consolidated profit and loss account	**151,072**	**100,900**

F) FINANCIAL YEARS SUBJECT TO TAX INSPECTION

According to current legislation, tax liquidations may not be considered final until the presented declarations have been inspected by the tax authorities or the statute barred period of four years has passed. Therefore, the Group's last four financial years are open to inspection for all applicable taxes.

On 7 July 2015, the Parent Company was notified of the start of tax inspection on the following facts and items:

Item	Periods
Corporate income tax	01/2010 to 12/2012
Value added tax	07/2011 to 12/2012
Withholdings / Payment on account of work / Professional earnings	07/2011 to 12/2012
Withholdings on account of non-resident taxation	07/2011 to 12/2012
Withholdings / Payment on account movable capital	01/2010 to 12/2012

On 13 July 2016, the consolidation procedure for corporation tax was signed as well as the declarations of conformity for the other taxes. On the date when these annual accounts were prepared, the amounts deriving from said declarations, amounting to 123 thousand euros, had already been settled.

On 16 May 2011, given that the Group forms part of the consolidated tax group, in the Corporation Tax, where the parent company is CaixaBank, S.A. (up to the 2012 financial year it was Caixa d'Estalvis i Pensions de Barcelona, "la Caixa"), a verification was initiated as part of the activities carried out by the Tax Administration in relation to the "la Caixa" tax group, in order to verify compliance with the tax obligations of

VidaCaixa, S.A.U. during the tax years 2008 to 2009. The Corporation Tax settlements were checked, finalising the actions with a Report, which was incorporated into the Group's records that have been contested and are awaiting a decision by the Central Economic Administrative Court (TEAC) with an insignificant impact.

The Directors of the Parent Company consider that the settlements of the relevant taxes have been made correctly; therefore, even in the event of a discrepancy in the interpretation of the current legislation regarding the tax treatment of transactions, any potential resulting liabilities, should they arise, would not significantly affect the attached annual accounts.

13. DEBITS AND PAYABLE ITEMS

According to their nature, the following is the breakdown of the items that make up the financial liabilities of the consolidated balance sheet at 31 December 2016 and 2015 (in thousands of euros):

Debits and payable items	Portfolio of debits and payable items Thousands of euros	
	31.12.2016	31.12.2015
Subordinated liabilities	-	-
Deposits received for ceded reinsurance	1,140	1,110
Debts through insurance and co-insurance operations	74,218	50,937
Debts through reinsurance operations	6,375	24,564
Debts with credit institutions (Note 9.a.)	1,359	1,896
Debts through temporary assignment of assets	201,756	11,452,808
Other debts	425,887	362,068
Total	**710,735**	**11,893,383**

A) DEBTS

The following is the breakdown of the debts derived from insurance, reinsurance and co-insurance contracts, together with other debts, at 31 December 2016 and 2015:

	Thousands of euros	
	31.12.2016	31.12.2015
Debts through direct insurance and co-insurance operations:		
- With policyholders	28,701	21,862
- With co-insurers	1,384	1,887
- With brokers	40,441	24,060
- Preparatory debts of insurance contracts	536	534
- Conditioned debts	3,156	2,594
TOTAL	**74,218**	**50,937**
Debts through reinsurance operations	**6,375**	**24,564**
Other debts	**425,887**	**362,068**

At 31 December 2015, most of the balance of "Debts through reinsurance operations" concerns the balance pending payment of Berkshire Hathaway Life Insurance Company of Nebraska as a consequence of the reinsurance contracts described in Note 6.b).

The "Other Debts" sub-caption includes the following items at 31 December 2016 and 2015:

	Thousands of euros	
	31.12.2016	**31.12.2015**
Group and associated companies		
With 'la Caixa' through IS	162,944	110,919
Rest of Group company debts	27,849	198,934
Debts with Public Administrations	19,332	17,377
Sundry creditors	215,762	34,838
Total	**425,887**	**362,068**

At 31 December 2015, the amount recorded under "Rest of Group company debts" included 196,000 thousand euros corresponding to the interim dividend pending payment, approved by the meeting of the Board of Directors of the Parent Company, held on 17 December 2015.

Information on Payment Deferrals made to Suppliers

Below is the information required by Additional Provision Three of Law 15/2010, of 5 July (modified through the Second final provision of Law 31/2014, of 3 December) prepared pursuant to ICAC's resolution of 29 January 2016, on the information to disclose in the notes of the annual accounts concerning the average payment period to suppliers in commercial transactions.

	2016	2015
	Days	Days
Average term for payment to suppliers	5.35	4.24
Operations paid ratio	5.35	4.24
Operations pending payment ratio	-	-
	Thousands of euros	Thousands of euros
Total payments made	**358,629**	**299,014**
Total payments outstanding	**-**	**-**

In accordance with the ICAC's resolution, for the calculation of the average period for payment to suppliers, the commercial operations corresponding to the delivery of goods or provision of services which have taken place as of the date of entry into force of Law 31/2014 of 3 December have been taken into account.

For the exclusive purpose of providing the information referred to in this Resolution, suppliers are considered to be the commercial creditors for debts with suppliers of goods or services, included under the items "Other Debts - Rest of other Debts" of current liabilities in the balance sheet.

"Average term for payment to suppliers" is understood to be the time that passes from the delivery of the goods or provision of services by the supplier and the material payment of the operation.

The maximum legal payment deadline applicable to the Group during the 2016 financial year, according to Law 3/2004, of 29 December, which establishes the measures to deal with bad debts in commercial operations, is 30 days.

B) DEBTS WITH CREDIT INSTITUTIONS: DEBTS THROUGH TEMPORARY ASSIGNMENT OF ASSETS

Until the first quarter of 2016, the Group was carrying out operations involving the acquisition and assignment of financial assets with a repurchase agreement. At 31 December 2015, the Group had assigned financial assets (debt representative securities classified in the available for sale portfolio), with a book value of 11,452,808 thousand euros. It also had debts through operations involving the temporary assignment of assets for most of this amount, which were valued at the nominal value of the agreed debt, since the maturity of the same was short-term.

The repurchase agreement stipulated by the Group in all its transactions is non-optional in nature, calculating the sale of the rights associated with the assigned securities up to the amortisation date at a price which is established at the moment of contracting. The Parent Company simultaneously agreed with the purchaser the repurchase of the rights of the financial assets for the same nominal value at an intermediate date between the sale and the nearest amortisation, at a price stipulated at the moment of contracting.

During the 2016 and 2015 financial years, the short-term assets which offset the assignments made have generated an income of 2,052 and 25,357 thousand euros, respectively. The expenses associated with such assignments totalled 905 and 19,683 thousand euros.

The deposits and repos through assignments that remained in effect at 31 December 2015 totalled 11,200,083 thousand euros and were recorded under the "Cash and other equivalent liquid assets" caption.

In the first quarter of 2016, the Parent Company substituted the operation for the transfer of financial assets with repurchase agreement held with the sole shareholder, for a securities lending agreement with the same counterparty. This agreement consists of the lending of securities by the Parent Company (lender) to

CaixaBank (borrower) in exchange for a fee. The amount accrued in this item has risen to 4,240 thousand euros during the 2016 financial year.

The lending of securities was formalised through an agreement protected by the European Framework Agreement. The security interests by the borrower in favour of the lender are defined in this agreement, which consist of deductible securitisations in the European Central Bank. At 31 December 2016, the security interests held through said contract amount to 12,283,200 thousand euros.

At 31 December 2015, the previous operation (assignment of assets) involved volumes of assets that amounted to 11,251,052 thousand euros, registered under the caption “Debits and payable items - Debts through operations involving the temporary assignment of assets” of the liabilities of the consolidated balance sheet and 11,200,083 thousand euros registered in the caption of the balance sheet under the heading “Cash and other equivalent liquid assets” of the assets in the consolidated balance sheet.

14. BALANCES IN FOREIGN CURRENCY

The balances and most significant transactions in foreign currency, valued at the closing exchange rate and average exchange rate, respectively, taking into consideration the different nature of the items they comprise, and expressing their equivalent values in thousands of euros, are as follows:

Balances held in:	Equivalent value in thousands of euros			
	31.12.2016			
	Cash and cash equivalents	Other financial assets with changes in the P&L account - Unit Link	Other financial assets with changes in the P&L account - PVI Inv. Flex.	Financial Assets Available for Sale (*)
US dollars	929	102,925	11,427	85,714
Pounds sterling	6	104	-	22,565
Swiss Francs	-	2,916	-	-
Norwegian Krone	-	649	-	-
Japanese yen	-	15,722	4,699	837
Total	**935**	**122,316**	**16,126**	**109,116**

(*) These are positions in passive currencies associated to flows of financial swap operations

Balances held in:	Equivalent value in thousands of euros			
	31.12.2015			
	Cash and cash equivalents	Other financial assets with changes in the P&L account - Unit Link	Other financial assets with changes in the P&L account - PVI Inv. Flex.	Financial Assets Available for Sale (*)
US dollars	50,477	89,663	114,611	97,513
Pounds sterling	331	28,240	-	3,646
Swiss Francs	264	18,640	-	-
Japanese yen	2,246	5,689	18,803	750
Total	**53,318**	**142,232**	**133,414**	**101,909**

(*) These are positions in passive currencies associated to flows of financial swap operations

The exchange rates used in the conversion to euros of the balances held in foreign currencies are the same as those published by the European Central Bank on the closing date.

15. TECHNICAL RESERVES

The detail of the reserves established at 31 December 2016 and their movement with regard to the financial year ended 31 December 2015 is set out below, together with the reinsurance participation in the same:

Reserve	Thousands of euros				
	Balances at 31 December 2015	Integration (*)	Endowments charged to results	Applications with payment to results	Balances at 31 December 2016
Technical reserves:					
Unearned premiums and unexpired risks	2,962	1,002	4,280	(3,964)	4,280
Life Insurance:					
- Related to life insurance (**)	41,976,696	63,366	48,103,101	(42,040,062)	48,103,101
- Related to life insurance when the risk is assumed by the policyholders	2,075,392	-	2,607,807	(2,075,392)	2,607,807
Claims	465,733	13,118	526,512	(478,851)	526,512
Profit-sharing and returns	65,471	-	45,710	(65,471)	45,710
Total	**44,586,254**	**77,486**	**51,287,410**	**(44,663,740)**	**51,287,410**

Reserve	Thousands of euros				
	Balances at 31 December 2015	Integration (*)	Endowments charged to results	Applications with payment to results	Balances at 31 December 2016
Share of reinsurance in technical reserves (ceded):					
Unearned premium reserves	(1,824)	-	(2,585)	1,824	(2,585)
Life Insurance reserve	(381,274)	-	(319,767)	381,274	(319,767)
Claims reserve	(8,128)	-	(14,371)	8,128	(14,371)
Other technical reserves	-	-	-	-	-
Total	**(391,226)**	**-**	**(336,723)**	**391,226**	**(336,723)**

(*) Balances deriving from the integration of Barclays Vida y Pensiones - Risk portfolio (see Note 10)

(**) At 31 December 2016, it includes 254,561 thousand euros corresponding to unearned premium reserves for the products with coverages shorter than the year.

The movement of these reserves during the financial year 2015 was as follows:

Reserve	Thousands of euros			
	Balances at 31 December 2014	Endowments charged to results	Applications with payment to results	Balances at 31 December 2015
Technical reserves:				
Unearned premiums and unexpired risks	2,127	2,962	(2,127)	2,962
Life Insurance:				
- Related to life insurance (*)	41,646,756	41,976,696	(41,646,756)	41,976,696
- Related to life insurance when the risk is assumed by the policyholders	1,442,438	2,075,392	(1,442,438)	2,075,392
Claims	536,528	465,733	(536,528)	465,733
Profit-sharing and returns	57,686	65,471	(57,686)	65,471
Total	**43,685,535**	**44,586,254**	**(43,685,535)**	**44,586,254**
Share of reinsurance in technical reserves (ceded):				
Unearned premium reserves	(711)	(1,824)	711	(1,824)
Life Insurance reserve	(444,947)	(381,274)	444,947	(381,274)

Reserve	Thousands of euros			
	Balances at 31 December 2014	Endowments charged to results	Applications with payment to results	Balances at 31 December 2015
Claims reserve	(6,010)	(8,128)	6,010	(8,128)
Other technical reserves	-	-	-	-
Total	**(451,668)**	**(391,226)**	**451,668**	**(391,226)**

(*) At 31 December 2015, it includes 173,014 thousand euros corresponding to unearned premium reserves for the products with coverages shorter than the year.

On 3 October 2000, a Resolution of the Directorate General of Insurance and Pension Funds was published, relating to the mortality and survival tables to be used by insurance entities, and the new PERM/F-2000P tables were published, which went on to be applied for the new production to be effected from the coming into force of the Resolution (15 October 2000). Also, for the portfolio of policies in force at that date, use of the PERM/F-2000C tables was enabled. The Group has assessed the impact of adapting the calculation of the life insurance reserves of its products to the PERM/F-2000C tables. The result of said evaluation amounted to 518,164 thousand euros. At 31 December 2016 and 2015, the Group had allocated all of said reserve.

Also, since 21 December 2012, the Parent Company has applied the PASEM 2010 tables for calculating the premiums to cover the contingencies for death.

Furthermore, the Group calculates certain policy reserves at the maximum rate established by the DGIPF (the criteria established in article 33.1 of the Regulation on Administration and Supervision of Private Insurance, hereinafter ROSSP, which for the 2016 financial year was 1.39%, see decision of 25 January 2016). On 31 December 2016, the Group held an additional reserve for interest rates of 54,194 thousand euros for the purposes of said calculation.

The Group performs a liabilities sufficiency test every year in order to identify any deficit in the reserves and make the corresponding allocation. Otherwise, if the result of the suitability test of liabilities reveals a sufficiency or excess of reserves, the Group, as established in IFRS 4, will adopt a criteria of prudence.

The liabilities sufficiency test consists of evaluating the liabilities for insurance contracts, based on the most recent estimates of future cash flows deriving from their contracts in relation to the assets assigned to its coverage. For this, future estimated cash flows that derive from insurance contracts and from financial assets assigned to a curve of interest rates of assets with a high credit rating will be deducted. To estimate future estimated cash flows derived from insurance contracts, the surrenders in the portfolio will be observed, pursuant to the average of the last 3 years.

A sensitivity analysis of the discount curve used will also be carried out. This sensitivity curve consists of introducing a drop in the interest rate of 100, 150 and 200 basic points of the discount curve used, as well as an increase of 80, 100 and 200 basic points.

Below is the detail of the technical reserves of the direct business at 31 December 2016 according to the different businesses included in the Life and Non-life Insurance segments:

Reserve at 31 December 2016	Thousands of euros		
	Non-Life	Life	Total
	Accidents and illness		
Technical reserves:			
Unearned premiums and unexpired risks	4,280	254,561	258,841
Policy reserves	-	47,848,540	47,848,540
Reserve for life insurance when the policyholder assumes the investment risk	-	2,607,807	2,607,807
Claims	13,632	512,880	526,512
Profit-sharing and returns	755	44,955	45,710
Total	**18,667**	**51,268,743**	**51,287,410**

The breakdown of the technical reserves of the direct business for the 2015 financial year is as follows:

Reserve at 31 December 2015	Thousands of euros		
	Non-Life	Life	Total
	Accidents and illness		
Technical reserves:			
Unearned premiums and unexpired risks	2,962	173,014	175,976
Policy reserves	-	41,803,682	41,803,682
Reserve for life insurance when the policyholder assumes the investment risk	-	2,075,392	2,075,392
Claims	13,316	452,417	465,733
Profit-sharing and returns	657	64,814	65,471
Total	**16,935**	**44,569,319**	**44,586,254**

The unrealised gains of financial assets classified in the Available For Sale portfolio, and that are associated with the insurance contracts using financial immunisation techniques, are presented increasing the “Technical Reserves” caption:

	Thousands of euros
Balance at 01 January 2016	**8,223,204**
Net movement through allocation of net unearned capital gains charged to equity	1,035,364
Balance at 31 December 2016	**9,258,568**

The movement experienced in the previous 2015 financial year is as follows:

	Thousands of euros
Balance at 01 January 2015	**9,601,392**
Net movement through allocation of net unearned capital gains charged to equity	(1,378,188)
Balance at 31 December 2015	**8,223,204**

The effect of the reinsurance on the profit and loss account for the financial years 2016 and 2015 was as follows:

	Thousands of euros	
	2016 Financial Year	2015 Financial Year
Premiums imputed to the ceded reinsurance		
- Ceded premiums	(213,281)	(225,029)
- Change in unearned premium reserves	761	1,112
Fees (*)	4,192	4,665
Cost of the cession	**(208,328)**	**(219,252)**
Reinsurance loss (*)	121,633	126,736
Total cost of reinsurance	**(86,695)**	**(97,570)**

(*) The fees and loss of the reinsurance are represented in the profit and loss account netting the sub-captions “Net operating expenses” and “Net reinsurance loss in the financial year”, respectively.

The reinsurance loss includes settlements for the annuity reinsurance contract made during the 2016 and 2015 financial years.

16. NON-TECHNICAL RESERVES

The non-technical reserves are intended to cover current obligations derived from past events, the cancellation of which could give rise to an outflow of resources, but are indefinite in terms of their amount and/or time of cancellation.

The non-technical reserves are valued by taking the current value of the best possible estimate of the amount necessary to cancel or transfer the obligation, taking into account the information available about the event and its consequences, and recording the adjustments that arise due to the update of said reserves as a financial expense as they accrue.

The Group has no significant claims, lawsuits or litigation, other than those which correspond to the insurance business (and which, in this case are duly valued and included, wherever applicable, in the reserves for claims) which may damage or affect the consolidated financial statements, or the contingent liabilities, and which might involve the Group in litigation or result in fines or penalties with a significant effect on the assets thereof.

17. ASSETS ATTRIBUTED TO SHAREHOLDERS OF THE PARENT COMPANY

As part of the consolidated financial statements, the Group presents a consolidated statement of changes in equity which shows, among others:

- The financial year result derived from the profit and loss account;

- Each party that, according to IFRS, recognises direct variations in equity;

- The total of revenues and expenses for the financial year (sum of the two above sections), separately showing the total amount attributed to the shareholders of the Parent Company and to minority interests;

- The effects of the changes in the accounting policies and of the correction of errors in each of the components of equity, where these have occurred;

- The amounts of the transactions that the holders of equity instruments have carried out in their condition as such, for example the capital contributions, the repurchases of own shares maintained in their own portfolios and the distribution of dividends, showing these last distributions separately;

- The balance of the reserves through accumulated profits at the beginning of the financial year and on the date of the balance, as well as its movements during the financial year.

In addition, the Group separately details all the income and expenses recognised during the financial year, whether through the profit and loss account or directly in the assets. This statement is called the “Statement of recognised income and expenses” and supplements the information provided in the “Statement of changes in equity”.

In 2016, the Group’s Parent Company made no significant change to its accounting policies that affect the consolidated annual accounts, and nor was it necessary to correct errors from previous financial years.

A) SHARE CAPITAL AND SHARE PREMIUM

The share capital of the Parent Company at 31 December 2016 stands at 1,347,462 thousand euros, represented by 224,203,300 shares, each with a par value of 6.01 euros, fully subscribed and paid up. All these shares have identical political and economic rights.

At 31 December 2016, the shareholders of the parent company with a holding equal to or greater than 10% of the subscribed capital were as follows:

	Percentage Holding
CaixaBank, S.A. (direct holding)	100%

At 31 December 2016, the Parent Company holds several contracts with its Sole Shareholder. The most significant are listed below:

- Agency contract for the marketing of insurance products through the CaixaBank network of offices (see Note 20).

- Framework contract of financial operations that formalises the agreement to carry out assignments by way of security (see Note 6).

- Securities lending agreement (see Note 13.b).

At the same time, within the normal operation of the Parent Company, at 31 December 2016 the same holds various insurance policies where the policyholder is CaixaBank (see Note 20).

B) RESERVES

The statement of changes in equity attached to these annual accounts details the balances of the reserves through accumulated profits at 31 December 2016 and at 31 December 2015, as well as the movements produced during the financial year.

The breakdown of each type of reserve at 31 December 2016 and 2015 is detailed below:

	Thousands of euros	
	31.12.2016	31.12.2015
Legal Reserve	269,492	269,492
Voluntary reserves of the Parent Company	1,237,977	1,238,320
Reserves in fully consolidated companies	25	(976)
Reserves in companies consolidated by the equity method	48,378	20,648
Total Reserves	**1,555,872**	**1,527,484**

b.1) Legal Reserve

According to the Capital Companies Act, a sum equivalent to 10% of the financial year profits must be passed over to the legal reserve until the reserve reaches at least 20% of the share capital. The legal reserve may be used to increase the capital in the part that exceeds the 10% already increased. Otherwise, as long as the reserve does not exceed 20% of the share capital, it may only be used to compensate losses and provided there are no other sufficient reserves available for this purpose.

b.2) Reserves in Consolidated Companies

The breakdown of balances by companies in the attached consolidated balance sheet at 31 December 2016 and 2015, having considered the effect of the consolidation adjustments, is shown below (thousands of euros):

Reserves of fully consolidated companies	VidaCaixa Mediació	Total
Balances at 31.12.2015	**(976)**	**(976)**
Distribution of 2015 financial year result	2,001	2,001
Interim dividends paid out of 2015 income	(1,000)	(1,000)
Reclassification to Parent Company	-	-
Consolidation adjustments	-	-
Disposal due to sale and dissolution	-	-
Balances at 31.12.2016	**25**	**25**

Reserves in companies consolidated by the equity method	SegurCaixa Adeslas
Balances at 31.12.2015	**20,648**
Distribution of 2015 financial year result	102,012
Interim dividends paid out of 2015 income	(74,282)
Variation of holdings	-
Reserves consolidated by means of the equity method	-
Balances at 31.12.2016	**48,378**

C) DISTRIBUTION OF RESULTS

The proposed distribution of the earnings for the financial year, drawn up by the Directors of the Parent Company and submitted for the approval to the Sole Shareholder, is as follows:

	Financial Year 2016 (thousands of euros)
To Other Reserves:	
- Legal Reserve	-
- Goodwill Reserve	-
- Voluntary Reserves	121,362
To dividends	
- Interim	370,000
- Complementary	42,500
Total	**533,862**

On 26 June 2016, the Board of Directors of the Parent Company agreed to distribute an interim dividend of the 2016 results for an amount of 280,000 thousand euros. This amount is registered in the "Own Funds-Interim Dividend" caption and was paid to the Shareholder on 22 December 2016.

In accordance with the provisions established in article 277 of the Capital Companies Act, approved by Royal Legislative Decree 1/2010 of 2 July, the Board of Directors of the Parent Company prepared the following accounting statement of sufficient liquidity for its distribution:

VidaCaixa	
Statement of liquidity on 31 May 2016	
Interim dividend proposal:	**In thousands of euros**
Profit for the period 01.01.2016 to 31.05.2016 (net of taxes)	280,175.32
1st Interim dividend proposal 2016	**280,000.00**
	In thousands of euros
Available in current accounts and other equivalent assets on 31.05.2016	676,866.92
2nd Interim dividend paid out of 2015 results pending payment	-196,000.00
Complementary dividend paid out of 2015 results pending payment	-72,000.00
Surplus liquidity	**408,866.92**
Cash-flow forecast at 1 year:	
Surplus liquidity at 31 May 2016	408,866.92
(+) Receivables	161,555,861.09
(-) Payables	-161,454,554.13
Surplus liquidity at 31 May 2017	**510,173.88**

On 01 December 2016, the Board of Directors of the Parent Company agreed to distribute a second interim dividend from the 2016 results for an amount of 90,000 thousand euros. This amount is registered in the "Own Funds-Interim Dividend" caption of the accompanying balance sheet at 31 December 2016 and was paid to the Shareholder on 22 December 2016.

In accordance with the provisions established in article 277 of the Capital Companies Act, approved by Royal Legislative Decree 1/2010 of 2 July, the Board of Directors of the Parent Company prepared the following accounting statement of sufficient liquidity for its distribution:

VidaCaixa	
Statement of liquidity on 31 October 2016	
Interim dividend proposal:	**In thousands of euros**
Profit for the period 01.01.2016 to 31.10.2016 (net of taxes)	376,349.38
1st Interim dividend paid out of 2016 results	-280,000.00
2nd Interim dividend proposal 2016	**90,000.00**
	In thousands of euros
Available in current accounts and other equivalent assets on 31.10.2016	**1,270,538.99**
2nd Interim dividend paid out of 2016 results pending payment	-280,000.00
Surplus liquidity	**990,538.99**

Statement of liquidity on 31 October 2016	
Cash-flow forecast at 1 year:	
Surplus liquidity at 31 October 2016	990,538.99
(+) Receivables	161,555,861.09
(-) Payables	-161,454,554.13
Surplus liquidity at 31 October 2017	**1,091,845.95**

The distribution of the net profit for the 2015 financial year, which was approved by the Sole Shareholder on 31 March 2016, was as follows:

	Financial Year 2015 (thousands of euros)
To Other Reserves:	
- Legal Reserve	-
- Goodwill Reserve	-
- Voluntary Reserves	394
To dividends:	
- Interim	240,000
- Complementary	72,000
Total	**312,394**

The data for the 2015 financial year in the above table, corresponding to the distribution approved by the Sole Shareholder, are presented, only and exclusively, for purposes of comparison.

On 30 June 2016, VidaCaixa paid the second interim dividend for the 2015 financial year for an amount of 196,000 thousand euros, together with the supplementary dividend of the 2015 financial year, for an amount of 72,000 thousand euros.

D) RECOGNISED INCOME AND EXPENSES

The main item registered in the recognised income and expenses outside the profit and loss account refers to adjustments through changes in value of the reserves for valuation adjustments to assets classified in the "available for sale" portfolio, including the reversion of the gains and losses of assets subject to the insurance contracts (See note 15).

Adjustments for changes in value (Assets available for sale)

This item principally includes the net amount of those variations in the fair value of the financial assets classified as available for sale which, according to Note 3.b, must be classified as an integral part of the Group's consolidated assets. These variations are recorded in the consolidated profit and loss account when the sale of the assets in which they originate takes place.

With regard to the remainder of these changes in value, which total 3,372,346 thousand euros, the Group considers that they should be allocated to policyholders, and for this reason they were allocated at 31 December 2016, increasing the amount of policy reserves.

Corrections of accounting mismatches

This item includes the variations of unearned gains derived from financial assets classified in the available for sale and at fair value with changes in profit and loss portfolios which are imputable to life insurance policyholders.

With regard to the remainder of these changes in value, which total 5,886,221 thousand euros, the Group considers that they should be allocated to policyholders, and for this reason they were allocated at 31 December 2016, increasing the amount of policy reserves.

18. MINORITY INTERESTS

At 31 December 2016 and 2015, the balance under the ‘Minority interests’ caption and the sub-caption ‘Profits and Losses attributable to external partners’ is null since there are no minority shareholders in the Group.

19. INFORMATION ON INSURANCE CONTRACTS ACCORDING TO SEGMENTS

The total volume of the premiums accrued for direct insurance and accepted reinsurance during the 2016 and 2015 financial years totalled 9,492,008 and 7,189,295 thousand euros, respectively.

The breakdown of the imputed premiums of the 2016 financial year and the remaining income and expense items in accordance with the main segments and sub-segments defined is as follows:

(Thousands of euros)	Non-life Segment	Life Segment	Total
	Accidents and illness		
Premiums imputed to direct reinsurance business Accepted (I)	**17,896**	**9,391,330**	**9,409,226**
Accrued direct insurance premiums	19,250	9,472,758	9,492,008
Change in reserve for premiums pending payment	32	(4,831)	(4,799)
Change in reserve for direct insurance unearned premiums and unexpired risks	(1,386)	(76,597)	(77,983)
Premiums imputed to reinsurance (II)	**(9,495)**	**(203,024)**	**(212,519)**
Total premiums imputed net of reinsurance (I-II)	**8,401**	**9,188,306**	**9,196,707**

(Thousands of euros)	Non-life Segment	Life Segment	Total
	Accidents and illness		
Other technical income net of expenses (III)	**(363)**	**17,675**	**17,312**
Other technical revenue	-	30,361	30,361
Other technical expenses	(363)	(12,686)	(13,049)
Losses incurred in the period, net of reinsurance (IV)	**(7,751)**	**(4,918,100)**	**(4,925,851)**
Direct and accepted insurance claims paid	(9,645)	(4,983,518)	(4,993,163)
Ceded reinsurance claims paid	3,129	117,388	120,517
Change in direct insurance claims reserve	(1,085)	(46,577)	(47,662)
Change in the ceded reinsurance claims reserve	9	1,107	1,116
Expenses imputed to claims	(159)	(6,500)	(6,659)
Variation of other technical reserves (V)	**(451)**	**(5,583,059)**	**(5,583,510)**
Change in reserve for share in profits and returns	(352)	(39,028)	(39,380)
Variation of other technical reserves (policy reserves)	(99)	(5,544,031)	(5,544,130)
Net operating expenses (VI)	**478**	**(272,162)**	**(271,684)**

(Thousands of euros)	Non-life Segment	Life Segment	Total
	Accidents and illness		
Acquisition expenses (fees and other expenses)	(2,588)	(178,646)	(181,234)
Administration expenses	(491)	(94,151)	(94,642)
Fees and holdings in ceded reinsurance	3,557	635	4,192
Net investment income (VII)	**125,849**	**2,022,958**	**2,148,807**
Income from financial investments	125,881	2,205,983	2,331,864
Management expenses of financial investments and assets	(32)	(254,835)	(254,867)
Financial results of Investments on behalf of life insurance policyholders who assume the risk of the Investment	-	71,810	71,810
TECHNICAL-FINANCIAL RESULT (I-II+III-IV+V-VI+VII+VIII)	**126,163**	**455,618**	**581,781**

The breakdown of the imputed premiums of the 2015 financial year and the remaining income and expense items in accordance with the main segments and sub-segments defined is as follows:

(Thousands of euros)	Non-life Segment	Life Segment	Total
	Accidents and illness		
Premiums imputed to direct reinsurance business Accepted (I)	**22,896**	**7,109,272**	**7,132,168**
Accrued direct insurance premiums	23,763	7,165,532	7,189,295
Change in reserve for premiums pending payment	(32)	430	398
Change in reserve for direct insurance unearned premiums and unexpired risks	(835)	(56,690)	(57,525)
Premiums imputed to reinsurance (II)	**(9,339)**	**(214,579)**	**(223,918)**
Total premiums imputed net of reinsurance (I-II)	**13,557**	**6,894,693**	**6,908,250**
Other technical income net of expenses (III)	**(1,043)**	**(8,442)**	**(9,485)**
Other technical revenue	-	3,700	3,700
Other technical expenses	(1,043)	(12,142)	(13,185)
Losses incurred in the period, net of reinsurance (IV)	**(7,210)**	**(6,371,905)**	**(6,379,115)**

(Thousands of euros)	Non-life Segment	Life Segment	Total
	Accidents and illness		
Direct and accepted insurance claims paid	(9,194)	(6,560,307)	(6,569,501)
Ceded reinsurance claims paid	2,527	122,091	124,618
Change in direct insurance claims reserve	(211)	71,007	70,796
Change in the ceded reinsurance claims reserve	137	1,981	2,118
Expenses imputed to claims	(469)	(6,677)	(7,146)
Variation of other technical reserves (V)	**(1,217)**	**(2,404,761)**	**(2,405,978)**
Change in reserve for share in profits and returns	(1,229)	(56,696)	(57,925)
Variation of other technical reserves (policy reserves)	12	(2,348,065)	(2,348,053)
Net operating expenses (VI)	**(870)**	**(223,958)**	**(224,828)**
Acquisition expenses (fees and other expenses)	(2,317)	(149,121)	(151,438)
Administration expenses	(723)	(77,332)	(78,055)
Fees and holdings in ceded reinsurance	2,170	2,495	4,665
Net investment income (VII)	**101,717**	**2,397,981**	**2,499,698**

(Thousands of euros)	Non-life Segment	Life Segment	Total
	Accidents and illness		
Income from financial investments	**102,017**	**2,464,849**	**2,566,866**
Management expenses of financial investments and assets	(300)	(84,668)	(84,968)
Financial results of Investments on behalf of life insurance policyholders who assume the risk of the Investment	-	17,800	17,800
TECHNICAL-FINANCIAL RESULT (I-II+III-IV+V-VI+VII+VIII)	**104,934**	**283,608**	**388,542**

In the profit and loss account, the caption “Results from other activities” corresponding to the 2016 financial year, “Other income” and “Other expenses”, includes the following items:

Operating income – 2016 financial year	Thousands of euros
	Other Activities Segment
Pension fund administration income	202,706
Income from healthcare activity	-
Other income	11,199
Rest of other income	**213,905**
Pension-fund marketing expenses	(106,779)
Other expenses	(69,107)
Rest of other expenses	**(175,886)**
Total	**38,019**

The breakdown of the income and expenses in the "Other activities" segment for the previous financial year is as follows:

Operating income – 2015 financial year	Thousands of euros
	Other Activities Segment
Pension fund administration income	178,942
Income from healthcare activity	-
Other income	15,644
Rest of other income	**194,586**
Pension-fund marketing expenses	(86,798)
Other expenses	(74,087)
Rest of other expenses	**(160,885)**
Total	**33,701**

A) COMPOSITION OF LIFE BUSINESS BY VOLUME OF PREMIUMS

The composition of the life business (direct insurance), by volume of premiums for the 2016 and 2015 financial years, is as follows:

Life insurance (direct)	2016 Thousands of euros	2015 Thousands of euros
Premiums on individual policies	8,644,845	6,299,568
Premiums on group policies	788,110	863,946
	9,432,955	**7,163,514**
Regular premiums	1,820,427	1,595,686
Single premiums	7,612,528	5,567,828
	9,432,955	**7,163,514**
Premiums on policies without profit sharing	8,079,968	5,779,160
Premiums on policies with profit sharing	311,197	262,023
Premiums in which the investment risk is attributed to the policyholder	1,041,790	1,122,331
	9,432,955	**7,163,514**

Said premiums are registered under the caption “Premiums applied to period, net of reinsurance” in the Life segment of the Consolidated Profit and Loss Account.

B) TECHNICAL CONDITIONS OF THE MAIN TYPES OF LIFE INSURANCE

The technical conditions of the main types of life insurance, which represent more than 5% of the premiums or reserves of the life business, are as follows:

2016 Financial Year

Format and type of coverage	Technical interest	Biometric table	Profit sharing		Thousands of euros		
			Applies? Yes/No	Form of distribution	Premiums	Policy reserves (*)	Profit-sharing reserves amount
PVI	2.76%	(1)	No	-	4,835,727	17,313,205	-
Pension 2000	6.87%	(2)	Yes	Policy reserves	52,708	4,767,632	530
PAA/PIAS	0.32%	(5)	No	-	1,897,778	3,089,505	-
Group Insurance	Variable	(3)	Yes	Claims	755,658	9,040,941	44,895
PPA	2.69%	(4)	No	-	203,942	2,547,811	-
Unit Link	-	(6)	No	-	1,041,790	2,598,741	-

(*) The biometric tables specified in the Technical Notes are indicated, along with the policy reserve derived from applying these tables.

(1) Depending on the format, tables GR-80, GR-80 less two years, GR-95 and GK-95 are used. From 21/12/2012, depending on the format, PASEM 2010 Unisex (mix sector), GR-95 Unisex (mix company, savings portfolio), PER2000P Unisex (mix company, savings portfolio) or PER2000P Women (over 70 years) tables are used.

(2) Depending on the format, GR-70, GR-80, GK-80, GR-95 and GK-95 tables are used. From 21/12/2012 tables GR-95 Unisex (mix company, savings portfolio) are used.

(3) Depending on the format, GR-80, GR-80 less two, GR-70, GR-95 and PER2000P tables are used. From 21/12/2012, depending on the format, PER2000P Unisex or PASEM2010 Unisex tables are used.

(4) For policies taken out before 01/01/2009, the GKM-80/GKF-80 tables are used. For policies taken out between 01/01/2009 and 20/12/2012 the INE 2004-2005 tables are used. Policies taken out after 21/12/2012 use the GR10EU tables.

(5) Depending on the format, GR-80 less two years, GR-95 and GK-95 tables are used. From 21/12/2012, the PASEM 2010 Unisex (mix sector) tables are used for new production.

(6) Depending on the format, GK-80, GK-95 and INE 2005 tables are used. From 21/12/2012, the PASEM 2010 Unisex (mix sector) tables are used.

2015 Financial Year

Format and type of coverage	Technical interest	Biometric table	Profit sharing		Thousands of euros		
			Applies? Yes/No	Form of distribution	Premiums	Policy reserves (*)	Profit-sharing reserves amount
PVI	3.36%	(1)	No	-	2,984,478	13,390,883	-
Pension 2000	6.89%	(2)	Yes	Policy reserves	57,603	4,707,252	2,330
PAA/PIAS	0.61%	(5)	No	-	1,294,378	1,811,441	-
Group Insurance	Variable	(3)	Yes	Claims	806,999	9,035,835	62,267
PPA	2.95%	(4)	No	-	331,656	2,819,548	-
Unit Link	-	(6)	No	-	1,122,331	2,064,545	-

(*) The biometric tables specified in the Technical Notes are indicated, along with the policy reserve derived from applying these tables.

(7) Depending on the format, tables GR-80, GR-80 less two years, GR-95 and GK-95 are used. From 21/12/2012, depending on the format, PASEM 2010 Unisex (mix sector), GR-95 Unisex (mix company, savings portfolio), PER2000P Unisex (mix company, savings portfolio) or PER2000P Women (over 70 years) tables are used.

(8) Depending on the format, GR-70, GR-80, GK-80, GR-95 and GK-95 tables are used. From 21/12/2012 tables GR-95 Unisex (mix company, savings portfolio) are used.

(9) Depending on the format, GR-80, GR-80 less two, GR-70, GR-95 and PER2000P tables are used. From 21/12/2012, depending on the format, PER2000P Unisex or PASEM2010 Unisex tables are used.

(10) For policies taken out before 01/01/2009, the GKM-80/GKF-80 tables are used. For policies taken out between 01/01/2009 and 20/12/2012 the INE 2004-2005 tables are used. Policies taken out after 21/12/2012 use the GR10EU tables.

(11) Depending on the format, GR-80 less two years, GR-95 and GK-95 tables are used. From 21/12/2012, the PASEM 2010 Unisex (mix sector) tables are used for new production.

(12) Depending on the format, GK-80, GK-95 and INE 2005 tables are used. From 21/12/2012, the PASEM 2010 Unisex (mix sector) tables are used.

For certain types of individual Life and various group Life policy, profit sharing is distributed as an increase in the life insurance reserve, in accordance with the periods envisaged in the different policies. The amount of the benefits accrued in favour of policyholders and beneficiaries that has still not been allocated is recorded in the sub-caption “Technical reserves – Reserves for share in profit and returns”.

Following the guidelines of the Internal Inspection Instructions 9/2009 published by the Directorate General of Insurance and Pension Funds, on interpreting the concept of real yield for the purposes of article 33 and the Second Transitional Reserve of the Regulation on Administration and Supervision of Private Insurance, approved by Royal Decree 2486/1998, of 20 November (kept up-to-date by the 5th Additional Provision of Royal Decree 1060/2015, of 20 November on Administration, Supervision and Solvency of Insurance and Reinsurance Companies, or ROSSEAR for its Spanish initials), the financial term of the Parent Company’s assets (excluding property) and liabilities at 31 December 2016 and 2015 are listed below:

31 December 2016

Assets	Book value (Thousands of euros)	Real Yield	Financial Duration	Percentage Excluded (*)
Portfolio before 1 January 1999. (Second transitional provision of the Regulation on the Administration and Supervision of Private Insurance (ROSSP)).	7,306,400	5.98%	11.74	0.00%
Immunized portfolio. (Art. 33.2 Regulation on Administration and Supervision of Private Insurance).	26,194,513	4.05%	10.12	0.00%
Portfolio after 1 January 1999. (Art. 33.1 Regulation on Administration and Supervision of Private Insurance).	4,506,598	2.53%	2.03	0.00%

(*) Percentage of the assets portfolio value for which the financial duration calculation cannot be performed (investments in equity instruments)

Liabilities	Policy Reserve (Thousands of euros)	Average Interest Policy Reserve	Financial Duration
Portfolio before 1 January 1999. (Second transitional provision of the Regulation on the Administration and Supervision of Private Insurance (ROSSP)).	7,285,771	5.62%	13.09
Immunized portfolio. (Art. 33.2 Regulation on Administration and Supervision of Private Insurance).	25,947,412	3.07%	10.39
Portfolio after 1 January 1999. (Art. 33.1 Regulation on Administration and Supervision of Private Insurance).	4,678,498	1.81%	1.57

31 December 2015

Assets	Book value (Thousands of euros)	Real Yield	Financial Duration	Percentage Excluded (*)
Portfolio before 1 January 1999. (Second transitional provision of the Regulation on the Administration and Supervision of Private Insurance (ROSSP)).	7,522,658	6.05%	11.97	0.00%
Immunized portfolio. (Art. 33.2 Regulation on Administration and Supervision of Private Insurance).	23,392,374	4.46%	9.42	0.00%
Portfolio after 1 January 1999. (Art. 33.1 Regulation on Administration and Supervision of Private Insurance).	3,066,357	2.78%	4.63	0.00%

(*) Percentage of the assets portfolio value for which the financial duration calculation cannot be performed (investments in equity instruments)

Liabilities	Policy Reserve (Thousands of euros)	Average Interest Policy Reserve	Financial Duration
Portfolio before 1 January 1999. (Second transitional provision of the Regulation on the Administration and Supervision of Private Insurance (ROSSP)).	7,461,122	5.36%	12.92
Immunized portfolio. (Art. 33.2 Regulation on Administration and Supervision of Private Insurance).	23,247,921	3.56%	9.29
Portfolio after 1 January 1999. (Art. 33.1 Regulation on Administration and Supervision of Private Insurance).	3,453,727	2.21%	1.82

C) CHANGE IN THE CLAIMS RESERVE

The change in the claims reserve of the direct Non-life Insurance, for the main branches of the Parent Company, incorporated at 31 December 2015 and 2014 for an amount of 12,825 and 13,105 thousand euros respectively, presents no significant deviations.

D) OTHER EXPENSES BY SEGMENTS

The breakdown of the allocations made by segments and sub-segments as provisions for amortisation and depreciation of the intangible assets, property investments and tangible fixed assets is set out in Notes 3.c), 3.d) and 3.e) of the Report.

The composition of the personnel expenses of the financial years 2016 and 2015, and their allocation in the profit and loss account by segments and sub-segments, is as follows:

	Thousands of euros	
	2016 Financial Year	2015 Financial Year
Wages and Salaries	27,650	28,924
Social Security	5,678	5,524
Contributions to external pension funds and life insurance premiums	1,459	1,247
Compensations and awards	899	73
Other personnel expenses	5,373	5,040
Total	**41,059**	**40,809**

Allocation of personnel expenses – 2016 financial year	Non-life segment	Life segment	Others segment	Total
Losses incurred in the period, net of reinsurance	73	3,395	-	3,468
Tangible fixed asset and investment expenses	18	2,711	-	2,729
Other technical expenses	228	8,918	-	9,146
Net operating expenses	432	11,969	13,315	25,716
Total Net	**751**	**26,993**	**13,315**	**41,059**

Allocation of personnel expenses – 2015 financial year	Non-life segment	Life segment	Others segment	Total
Losses incurred in the period, net of reinsurance	156	2,860	-	3,016
Tangible fixed asset and investment expenses	125	3,108	-	3,233
Other technical expenses	694	8,180	-	8,874
Net operating expenses	589	12,115	12,982	25,686
Total Net	**1,564**	**26,263**	**12,982**	**40,809**

20. BREAKDOWN OF ASSOCIATED COMPANY TRANSACTIONS

20.1 TRANSACTIONS BETWEEN GROUP AND ASSOCIATED COMPANIES

The details of the main transactions carried out in the financial year 2016 are as follows:

	Thousands of euros	
Item	Income	Expenses
Income from sales	65,051	-
Expenses for sales	-	(112,512)
Rental income	-	-
Financial income/expenses	-	(235,441)
Credited interests	143	-
Dividends and other profits	1	-
Insurance operations	190,300	(631)
Fees for marketing of premiums	-	(266,733)
Income from reinsurance	6,468	-
Costs for reinsurance	,	(9,802)
Income from fees	-	-

The same information for the 2015 financial year is as follows:

Item	Thousands of euros	
	Income	Expenses
Income from sales	6,286	-
Expenses for sales	-	(4,491)
Rental income	48	-
Financial income/expenses	-	(43,461)
Credited interests	191	-
Dividends and other profits	8	-
Insurance operations	192,153	-
Fees for marketing of premiums	-	(217,880)
Fees between AgenCaixa and SegurCaixa Adeslas	-	-
Income from fees	1,437	-

20.2. TRANSACTIONS BETWEEN GROUP AND ASSOCIATED COMPANIES

Below is a breakdown of the balances in the balance sheet with group and associated companies at the close of the 2016 and 2015 financial years according to the value that appears in the Group's books (in thousands of euros):

2016 Financial Year

	Thousands of euros
Cash and cash equivalents	260,292
Equity instruments	
-Financial investments in capital	46
Debt securities	(1,598,396)
Hybrid instruments	-
Deposits and repos in credit entities	463,016
Deposits and repos in credit entities with expiry date Less than 3 months	-
Received guarantees or endorsements	60,221
Insurance policies	(1,989,488)
Debts through the assignment of assets	(201,756)
Credits and debts with the group	(67,440)
Other debtors among group and associated companies	-
Corporate income tax	(222,519)

2015 Financial Year

	Thousands of euros
Cash and cash equivalents	335,979
Equity instruments	
-Financial investments in capital	-
Debt securities	(551,223)
Hybrid instruments	-
Deposits and repos in credit entities	464,906
Deposits and repos in credit entities with expiry date Less than 3 months	11,200,083
Received guarantees or endorsements	61,931
Insurance policies	(2,142,889)
Debts through the assignment of assets	(11,452,808)
Credits and debts with the group	(218,559)
Other debtors among group and associated companies	-
Corporate income tax	(110,016)

21. OTHER INFORMATION (INCLUDING REMUNERATIONS AND OTHER BENEFITS FOR THE BOARD OF DIRECTORS AND THE SENIOR MANAGEMENT, AND REMUNERATIONS FOR AUDITORS)

A) EMPLOYEES

In accordance with the provisions established in the Capital Companies Act, the average number of employees of the Parent Company and the subsidiary companies during the 2016 and 2015 financial years, distributed according to professional category and gender, is as follows:

Professional Category	Number of employees		
	2016 Financial Year		
	Men	Women	Total
Management	24	7	31
Technical personnel and middle management	125	153	278
Administrative personnel	33	89	122
Sales personnel	23	27	50
Total	**205**	**276**	**481**

Professional Category	Number of employees		
	2015 Financial Year		
	Men	Women	Total
Directors	23	7	30
Technical personnel and middle management	107	136	243
Administrative personnel	37	95	132
Sales personnel	31	54	85
Total	**198**	**292**	**490**

The average number of employees during the 2016 financial year, with disability of more than or equal to 33%, broken down by categories, is as follows:

Categories	2016
Management	-
Technical personnel and middle management	-
Administrative personnel	1
Sales personnel	-
Total	**1**

At 31 December 2016, the Board of Directors of the Parent Company was made up of 13 directors, all physical persons, including 12 men and 1 woman.

B) REMUNERATION AND OTHER BENEFITS TO THE BOARD OF DIRECTORS AND THE SENIOR MANAGEMENT

The remuneration received during the 2016 financial year by the members of the Board of Directors and the Senior Management of VidaCaixa S.A.U., classified by items, was as follows (in thousands of euros):

2016 Financial Year

	Salaries (*)	Remuneration	Other items	Pension Plans	Insurance premiums (1)	Severance arrangements	Payments based on equity instruments	Remuneration of physical persons who represent the Company (2)
Board of Directors	-	2,979	-	-	12	-	-	-
Senior Management	2,631	-	-	-	400	-	-	-

(*) This amount includes the total variable and fixed remuneration earned by Senior Management, both in cash and in shares owned by the Parent Company's Shareholder, as well as the part of deferred variable remuneration (cash and shares) to be received in three years.

(1) Includes the amount paid for the insurance premium to cover the civil liability of the Directors for damages caused by acts or omissions, for the amount of 12 thousand euros.

(2) Includes the remunerations paid to physical persons who represent the Company on the boards of directors of other entities.

During the 2016 financial year, 5 people joined and 5 people left the Board of Directors of the Parent Company. On 31 December 2016, 8 Senior Management positions were included.

The Parent Company had no loans or advance payments granted, or life insurance taken out in favour of the members of its Board of Directors.

The remuneration received during the 2015 financial year by the members of the Board of Directors and the Senior Management of VidaCaixa S.A.U., classified by items, was as follows (in thousands of euros):

2015 Financial Year

	Salaries (*)	Remuneration	Other items	Pension Plans	Insurance premiums	Severance arrangements	Payments based on equity instruments
Board of Directors	-	2,864	-	-	-	-	-
Senior Management	2,525	-	-	-	363	-	-

(*) This amount includes the total fixed and variable remuneration earned by Senior Management, both in cash and in shareholder shares of the Company, as well as the part of deferred variable remuneration (cash and shares) to be received in three years.

During the 2015 financial year, no changes occurred in the Board of Directors. On 31 December 2015, 8 Senior Management positions were included.

The Parent Company had no loans or advance payments granted, or life insurance taken out in favour of the members of its Board of Directors.

Article 229.3 of the Capital Companies Act, amended by Law 31/2014 of 3 December, amending the Capital Companies Act to improve corporate governance, in force since last 24 December, introduces, among directors' other duties, the duty to notify the Board of Directors of the Parent Company of any situation of conflict of interest, either direct or indirect, between any of the Directors or people connected to them and the Group’s interest.

For this purpose, the members of the Board of Directors of the Parent Company reported the following information at 31 December 2016:

Director	Matter
Gortázar Rotaeche, Gonzalo	Abstention in the deliberation and vote concerning the remuneration as Chairman of the Board of Directors
Muniesa Arantegui, Tomás	---
Mercader Miró, Jorge	Abstention in the deliberation and vote concerning the remuneration as Vice-Chairman of the Board of Directors
Allende Fernández, Víctor Manuel	---
Capella Pifarré, Natividad Pilar	---
Gil Aluja, Jaime	Abstention in the vote on his category of director. Abstention in the vote on his appointment as a member of the Nomination and Remuneration Committee
Guàrdia Canela, Josep Delfí	---
Ibarz Alegría, Javier	---
Leal Villalba, José María	---
López López, Antonio	---
Rosell Lastortras, Juan	---
Valls Maseda, Miquel	---
Vilarasau Salat, José	---

Also, the Directors that held this position at any time during the financial year and that no longer hold this position on the date of formulating these consolidated annual accounts, have not informed the Group of any situation of conflict of interest, either direct or indirect, that they or any of the people connected to them might have had with the interests of the Group, in fulfilment of the good governance practices and for the purpose of enhancing the transparency of the Group.

C) ASSOCIATED OPERATIONS

In accordance with the provisions established in Order EHA-3050-2004 of 15 September, it is stated for the record that, apart from the emoluments received, during the financial year no associated operations have occurred with directors or managers, or similar operations to such effect, except for those which correspond to the ordinary business activity of the company, were performed under normal market conditions and are of little significance.

D) REMUNERATION TO AUDITORS

During the 2016 and 2015 financial years, the fees corresponding to the auditing of the accounts and other services rendered to the various companies that make up the Group by the company auditors Deloitte, S.L., were as follows (not including VAT):

2016 Financial Year

Categories	Thousands of euros			
	Auditing of Accounts	Other Verification Services	Tax Consultancy	Other Services
Deloitte, S.L.	199	311	-	147
Total	**199**	**311**	**-**	**147**

2015 Financial Year

Categories	Thousands of euros			
	Auditing of Accounts	Other Verification Services	Tax Consultancy	Other Services
Deloitte, S.L.	177	163	-	331
Total	**177**	**163**	**-**	**331**

E) COMMUNICATIONS WITH THE REGULATORY BODY

On 19 January 2017, the Directorate General of Insurance and Pension Funds informed Vida Caixa, S.A.U. de Seguros y Reaseguros of the start of a procedure to check the quality of the data of the group's internal model on the risks of maternal mortality and longevity, according to the provisions of article 113.1 d) of Law 20/2015 of 14 July, on Administration, Supervision and Solvency of Insurance and Reinsurance Companies.

22. SUBSEQUENT EVENTS

On 1 March 2017, the deed of acquisition of the life-savings insurance portfolio of Barclays Vida y Pensiones, S.A. was signed, completing the operation indicated above (see Note 10). The price corresponding to said assignment was fixed at the amount of 5,034 thousand euros (including VAT) receivable by VidaCaixa. Given that the price of the life-risk insurance portfolio was established as an amount payable by VidaCaixa of 13,033 thousand euros and that on 31 October 2016, VidaCaixa credited Barclays Vida y Pensiones, S.A. with 6,000 thousand euros as a part payment for the life-risk portfolio, VidaCaixa proceeded to pay 1,999 thousand euros on 1 March 2017.

Barclays Vida y Pensiones, S.A. delivered a preliminary inventory of asset and liability items at 31 January 2017 associated with the life-savings portfolio, which includes a volume of policy reserves of 581,832 thousand euros.

In the period from 31 December 2016 until the preparation of these consolidated annual accounts, there were no other events with a significant impact on the Group that require specific mention nor that have had a significant effect on the consolidated annual accounts.

VIDACAIXA, S.A.U. DE SEGUROS Y REASEGUROS Y SOCIEDADES DEPENDIENTES (VIDACAIXA GROUP)

ANNEX 1: LIST OF SUBSIDIARY AND ASSOCIATED COMPANIES AT 31 DECEMBER 2016

Name of the Company	Registered Address	Activity	% Holding		Abridged financial information			
			Direct	Indirect	Share capital paid	Asset reserves	Financial year result net of dividend	Book value
EMPRESES DEL GRUP:								
VIDACAIXA MEDIACION, SOCIEDAD DE AGENCIA DE SEGUROS VINCULADOS, S.A.U	C/ Juan Gris, 20-26. Barcelona	Private insurance agent and linked insurance agency company.	100.00%	-	60	3,242	991	3,277
GEROCAIXA PYME EPSV DE EMPLEO	Gran Vía López de Haro, 38. Bilbao	Employee Voluntary Social Welfare Entity.	100.00%	-	50	3	212	53
GEROCAIXA EPSV INDIVIDUAL	Gran Vía López de Haro, 38. Bilbao	Individual Voluntary Social Welfare Entity.	100.00%	-	50	90	6,810	140
GEROCAIXA PRIVADA PENSIONES EPSV ASOCIADA	Gran Vía López de Haro, 38. Bilbao	Associated Voluntary Social Welfare Entity.	100.00%	-	50	-	18	50

Name of the Company	Registered Address	Activity	% Holding		Abridged financial information			
			Direct	Indirect	Share capital paid	Asset reserves	Financial year result net of dividend	Book value
GESTICAIXA	C/ Pere i Pons, 9-11. Barcelona	Securitisation Funds Management Company.	9.00%	-	1,503	3,498	1,700	347
ASSOCIATED COMPANIES:								
SEGURCAIXA ADESLAS, S.A. DE SEGUROS Y REASEGUROS	C/ Juan Gris 20-26, 08014 Barcelona	Insurance Company	49.92%	-	469,670	545,290	5,789	978,389
ADESLAS DENTAL, S.A.U	Joaquín Costa, 35 28002 Madrid	Dental	-	49.92%	6,000	17,844	10,792	-
ADESLAS SALUD, S.A.U	Paseo de la Castellana 259-C Madrid	Consultancy	-	49.92%	313	685	115	-
GENERAL DE INVERSIONES ALAVESAS, S.L.U.	Plaza Amárica, 4-01005 Vitoria	Real Estate Company	-	49.92%	1,200	93	-5	-
AGENCAIXA, S.A.U	C/ Juan Gris 20-26 de Barcelona	Insurance Intermediary	-	49.92%	601	2,588	1,578	-
GRUPO IQUIMESA, S.A.	Plaza Amárica, 4-01005 Vitoria	Administrator	-	49.92%	7,552	70,997	7,024	-

Name of the Company	Registered Address	Activity	% Holding		Abridged financial information			
			Direct	Indirect	Share capital paid	Asset reserves	Financial year result net of dividend	Book value
ASSOCIATED COMPANIES:								
SANATORIO MEDICO QUIRURGICO CRISTO REY, S.A.	Paseo de la Estación, 40 - 23008 Jaén	Clinic	-	20.56%	121	3,899	85	-
CLINICA VICENTE SAN SEBASTIAN, S.A.	c/ Ballets Olaeta, 4 – Bilbao	Hospital Activities	-	9.84%	7,461	18,791	1,670	-
CONSULTAS EXTERNAS ZMK	C/ Máximo Aguirre, 18 BIS - 48011 Bilbao	Real Estate Property Rental	-	9.84%	3	26	149	-
U. SERVICIOS PEDIATRÍA BILBAO	C/ Ballets Olaeta, 4 - Bilbao	Specialist Medical Services	-	9.84%	6	45	2	-
TRAUMATOLOGÍA DAM	C/ Ballets Olaeta, 4 - Bilbao	Specialist Medical Services	-	9.84%	4	306	3	-
INSTITUTO ONCOLÓGICO	C/ Ballets Olaeta, 4 - Bilbao	Specialist Medical Services	-	9.84%	200	2	5	-
CVSS ONDAS DE CHOQUE	C/ Ballets Olaeta, 4 - Bilbao	Other Health Activities	-	8.86%	3	200	389	-
INSTITUTO MEDICINA INTEGRAL DE BILBAO	C/ Maestro Mendiri, 2 - Bilbao	Other Health Activities	-	6.89%	10	137	11	-

Name of the Company	Registered Address	Activity	% Holding		Abridged financial information			
			Direct	Indirect	Share capital paid	Asset reserves	Financial year result net of dividend	Book value
ASSOCIATED COMPANIES:								
LABORATORIO VIRGEN BEGOÑA	Barrio Nuevo Ategorri, 10 - Erandio	Clinical Analysis	-	6.35%	200	459	834	-
GENETIC	Barrio Nuevo Ategorri, 10 - Erandio	Clinical Analysis	-	6.35%	10	(7)	15	-
C19 HEROS	Barrio Nuevo Ategorri, 10 - Erandio	Medical Services	-	6.35%	3	4	95	-
HOSPIDORM	C/ Don Diego López de Haro, 53 - Bilbao	Health Care	-	5.96%	3	7	32	-
INSTITUTO DE NEUROCIRUGÍA	C/ Ballets Olaeta, 4 - Bilbao	Specialist Medical Services	-	2.36%	4	29	-	-
AUXILIAR DE SERVICIOS MÉDICOS, S.A.	C/ Máximo Aguirre, 18 BIS - 48011 Bilbao	Provision of Medical Care Services	-	1.97%	120	27	58	-
CVSS RADIOLOGIA CLINICA	C/ Ballets Olaeta, 4 - Bilbao	Radiology Services	-	1.72%	368	1,911	650	-

Name of the Company	Registered Address	Activity	% Holding		Abridged financial information			
			Direct	Indirect	Share capital paid	Asset reserves	Financial year result net of dividend	Book value
ASSOCIATED COMPANIES:								
RESONANCIA MAGNETICA DE BILBAO	C/ Licenciado Poza, 10 - Bilbao	Radiology Services	-	1.08%	73	818	68	-
MEDIORAMETIC	c/ Colón de Larreategui, 45 - Bilbao	Radiology Services	-	0.88%	10	22	46	-
IGUALATORIO MEDICO QUIRURGICO Y DE ESPECIALIDADES DE ASTURIAS, S.A. DE SEGUROS	C/ Cabrales, 72 - Bajo y 1º - 33201 Gijón (Astúries)	Insurance Company	-	17.49%	2,810	12,970	1,542	-
HOSPITAL BEGOÑA DE GIJON, S.L.	Avda. Pablo Iglesias, 92 - 33204 - Gijon (Astúries)	Hospital	-	17.03%	487	368	527	-
RADIOLOGIA ASTURIANA, S.L.	C/ Quintana, 11-33009-Oviedo (Astúries)	Hospital	-	17.49%	18	584	31	-
POLICLINICAS OVIEDO, S.L.	C/ Quintana, 11 - 33009 - Oviedo (Astúries)	Consultancy	-	17.49%	30	206	24	-
SOCIEDAD INMOBILIARIA DEL IGUALATORIO MEDICO QUIRURGICO	C/ Máximo Aguirre, 18 Bis - 48011 Bilbao	Property Agency	-	11.10%	20,000	2,295	(474)	-

Name of the Company	Registered Address	Activity	% Holding		Abridged financial information			
			Direct	Indirect	Share capital paid	Asset reserves	Financial year result net of dividend	Book value
ASSOCIATED COMPANIES:								
IGUALATORIO MÉDICO QUIRÚRGICO S.A. DE SEGUROS Y REASEGUROS	C/ Máximo Aguirre, 18 BIS - 48011 Bilbao	Insurance Company	-	22.46%	16,175	88,285	1,023	-
SOCIEDAD DE PROMOCION DEL IGUALATORIO MEDICO QUIRURGICO, S.A.	C/ Máximo Aguirre, 18 BIS - 48011 Bilbao	Business Development	-	22.46%	39,005	2,647	753	-
IGUALATORIO DE BILBAO AGENCIA DE SEGUROS	C/ Máximo Aguirre, 18 BIS - 48011 Bilbao	Insurance Agency	-	22.46%	1,150	127	(1,018)	-
CENTRO DE REHABILITACION Y MEDICINA DEPORTIVA BILBAO, S.L.	Rafaela Ybarra, 25 - 48014 Bilbao	Rehabilitation	-	21.81%	106	(197)	61	-
IGUALATORIO MEDICO QUIRURGICO DENTAL	C/ Máximo Aguirre, 18 BIS - 48011 BILBAO	Dental	-	22.34%	200	(96)	(3)	-
IGUALATORIO MEDICO QUIRURGICO DENTAL VIZCAYA	C/ Máximo Aguirre, 18 BIS - 48011 Bilbao	Dental	-	18.99%	239	(6)	72	-

Name of the Company	Registered Address	Activity	% Holding		Abridged financial information			
			Direct	Indirect	Share capital paid	Asset reserves	Financial year result net of dividend	Book value
ASSOCIATED COMPANIES:								
IGURCO GESTION, S.L.	C/ Máximo Aguirre, 18 BIS, 4º - 48011 Bilbao	Geriatric Services	-	15.79%	8,679	3,192	857	-
IGURCO RESIDENCIAS SOCIOSANITARIAS	C/ Máximo Aguirre, 18 BIS, 4º - 48011 Bilbao	Geriatric Services	-	15.79%	61	489	8	-
IGURCO CENTROS GERONTOLOGICOS, S.L.	C/ Máximo Aguirre, 18 BIS, 4º - 48011 Bilbao	Geriatric Services	-	15.79%	1,703	3,033	708	-
ORUE XXI, S.L.	Barrio de San Miguel, s/n. EUBA - 48340 Amorabieta	Geriatric Services	-	10.84%	3,265	654	438	-
RESIDENCIA ORUE, S.L.	Barrio de San Miguel, s/n. EUBA - 48340 Amorabieta	Geriatric Services	-	10.84%	201	370	200	-
MODELOS DE ATENCION GESTIONADA, S.L.	C/ Máximo Aguirre, 18 BIS - 48011 Bilbao	Consultancy	-	11.46%	3	135	6	-

VIDACAIXA, S.A.U. DE SEGUROS Y REASEGUROS Y SOCIEDADES DEPENDIENTES (VIDACAIXA GROUP)

ANNEX 2. MOVEMENT OF INTANGIBLE FIXED ASSETS DURING THE 2016 FINANCIAL YEAR

	Thousands of euros												
	Goodwill		Financial rights derived from the policy portfolio acquired from brokers	Other intangible assets									
	Consolidated goodwill	Merger goodwill		Consolidated intangible assets	Merger intangible assets	Trademark	Client portfolio	Concessions	Computer programs	Pension fund expenses	Marketing expenses of other Non-life insurance policies	Other expenses of acquisition of pension funds and life insurance contracts	Total intangible assets
Cost at 31 December 2015	**-**	**583,577**	**-**	**-**	**195,693**	**-**	**-**	**1,019**	**51,377**	**-**	**-**	**231,026**	**1,062,692**
Accumulated Amortisation at 31 December 2015	**-**	**-**	**-**	**-**	**(88,268)**	**-**	**-**	**(134)**	**(33,257)**	**-**	**-**	**(163,117)**	**(284,776)**
Net Book Value at 31 December 2015	**-**	**583,577**	**-**	**-**	**107,425**	**-**	**-**	**885**	**18,120**	**-**	**-**	**67,909**	**777,916**
Additions	-	-	-	-	20,928	-	-	-	10,486	-	-	25,383	56,797
Changes to consolidation method (cost)	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	(380)	-	-	-	(21,718)	-	-	-	(22,098)

	Thousands of euros												
	Goodwill		Financial rights derived from the policy portfolio acquired from brokers	Other intangible assets									
	Consolida-ted goodwill	Merger goodwill		Consolida-ted intangi-ble assets	Merger intangible assets	Trademark	Client portfolio	Concessions	Computer programs	Pension fund expenses	Marketing expenses of other Non-life insurance policies	Other expenses of acquisition of pension funds and life insurance contracts	Total intangible assets
Reclassifications and transfers	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation of financial year	-	-	-	-	(28,795)	-	-	(24)	(9,100)	-	-	(34,709)	(73,201)
Changes to consolidation method (amortisation)	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals in the Amortisation	-	-	-	-	421	-	-	-	21,667	-	-	-	22,088
Reclassifications	-	-	-	-	-	-	-	-	-	-	-	-	-
Losses/Applications for Impairment	-	-	-	-	-	-	-	66	-	-	-	-	66
Cost at 31 December 2016	**-**	**583,577**	**-**	**-**	**216,241**	**-**	**-**	**1,085**	**40,145**	**-**	**-**	**256,409**	**1,097,457**
Accumulated Amortisation at 31 December 2016	**-**	**-**	**-**	**-**	**(117,215)**	**-**	**-**	**(158)**	**(20,690)**	**-**	**-**	**(197,826)**	**(335,889)**
Net Book Value at 31 December 2016	**-**	**583,577**	**-**	**-**	**99,026**	**-**	**-**	**927**	**19,455**	**-**	**-**	**58,583**	**761,568**

VIDACAIXA, S.A.U. DE SEGUROS Y REASEGUROS Y SOCIEDADES DEPENDIENTES (VIDACAIXA GROUP)

ANNEX 3. MOVEMENT OF INTANGIBLE FIXED ASSETS DURING THE 2015 FINANCIAL YEAR

	Thousands of euros												
	Goodwill		Financial rights derived from the policy portfolio acquired from brokers	Other intangible assets									
	Consolida-ted goodwill	Merger goodwill		Consolida-ted intangi-ble assets	Merger intangible assets	Trademark	Client portfolio	Concessions	Computer programs	Pension fund expenses	Marketing expenses of other Non-life insurance policies	Other expenses of acquisition of pension funds and life insurance contracts	Total intangible assets
Cost at 31 December 2014	**-**	**583,577**	**-**	**-**	**195,693**	**-**	**-**	**1,019**	**40,875**	**-**	**-**	**209,706**	**1,030,870**
Accumulated Amortisation at 31 December 2014	**-**	**-**	**-**	**-**	**(59,473)**	**-**	**-**	**(109)**	**(25,525)**	**-**	**-**	**(138,963)**	**(224,070)**
Net Book Value at 31 December 2014	**-**	**583,577**	**-**	**-**	**136,220**	**-**	**-**	**910**	**15,350**	**-**	**-**	**70,743**	**806,800**
Additions	-	-	-	-	-	-	-	-	10,585	-	-	21,320	31,905
Changes to consolidation method (cost)	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	(356)	-	-	-	(356)

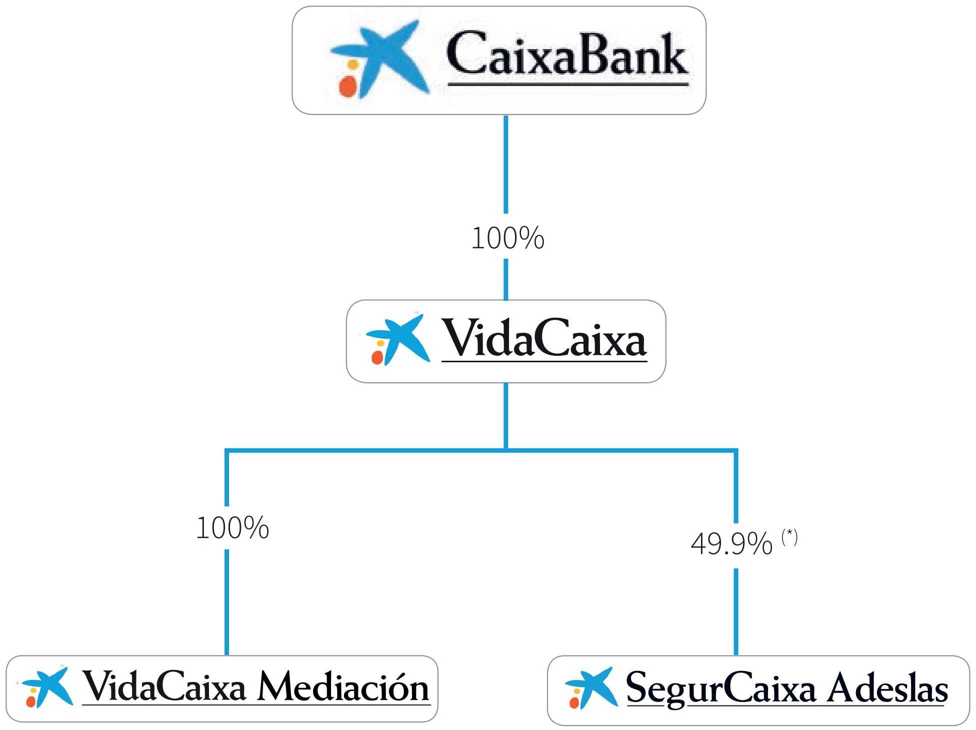
	Thousands of euros												
	Goodwill		Financial rights derived from the policy portfolio acquired from brokers	Other intangible assets									
	Consolida-ted goodwill	Merger goodwill		Consolida-ted intangi-ble assets	Merger intangible assets	Trademark	Client portfolio	Concessions	Computer programs	Pension fund expenses	Marketing expenses of other Non-life insurance policies	Other expenses of acquisition of pension funds and life insurance contracts	Total intangible assets
Reclassifications and transfers	-	-	-	-	-	-	-	-	273	-	-	-	273
Depreciation of financial year	-	-	-	-	(28,795)	-	-	(25)	(7,459)	-	-	(24,154)	(60,433)
Changes to consolidation method (amortisation)	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals in the Amortisation	-	-	-	-	-	-	-	-	(273)	-	-	-	(273)
Reclassifications	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost at 31 December 2015	**-**	**583,577**	**-**	**-**	**195,693**	**-**	**-**	**1,019**	**51,377**	**-**	**-**	**231,026**	**1,062,692**
Accumulated Amortisation at 31 December 2015	**-**	**-**	**-**	**-**	**(88,268)**	**-**	**-**	**(134)**	**(33,257)**	**-**	**-**	**(163,117)**	**(284,776)**
Net Book Value at 31 December 2015	**-**	**583,577**	**-**	**-**	**107,425**	**-**	**-**	**885**	**18,120**	**-**	**-**	**67,909**	**777,916**

VIDACAIXA S.A.U. DE SEGUROS Y REASEGUROS Y SOCIEDADES DEPENDIENTES

MANAGEMENT REPORT FOR THE 2016 FINANCIAL YEAR

VidaCaixa, company belonging to the "CaixaBank" Insurance Group is the company that channels the life insurance business and manages pension funds for individual customers, Small and Medium-Sized Businesses and large companies and groups.

At 31 December 2016, the Group has the following structure:



(*) Minority shareholders represent 0.08%

In the 2016 financial year, the VidaCaixa Group earned a consolidated profit of 492.3 million euros, with a 30% increase in the operating margin due to the excellent growth of all the businesses in which it operates.

In total, the volume of the Group's premiums and contributions increased by 28.8% compared to the previous year, selling 11,699 million euros of life insurance and pension plans.

TOTAL VIDACAIXA GROUP

		In millions of euros		
		2015	2016	Var. 16/15
Premiums and Contributions	Life-Risk and Accident	679.1	769.2	13.27%
	Subtotal Risk (Individual + Companies)	**679.1**	**769.2**	**13.27%**
	Life-Savings Insurance	6,510.2	8,722.7	33.99%
	Pension Plans	1,890.2	2,207.1	16.76%
	Subtotal Savings (Individual + Companies)	**8,400.4**	**10,929.8**	**30.11%**
	Total Risk and Savings (Individual + Companies)	**9,079.5**	**11,699.0**	**28.85%**
Man. Res.	Life Insurance	37,229.5	42,701.9	14.70%
	Pension Plans and Voluntary Pension Schemes (EPSV)	23,157.3	25,188.8	8.77%
	Total Client Man. Res. (Indiv. + Co.)	**60,385.5**	**67,890.7**	**12.43%**
	Consolidated Net Result VidaCaixa Grupo	**340.5**	**492.3**	**44.59%**

In 2016, the VidaCaixa Group managed a volume of resources of 67,890.7 million euros, representing a growth of 12.43% on the previous year. Of this figure, 25,188.8 million euros related to pension plans and Voluntary Social Welfare Entities (EPSV for the Spanish initials) with an increase of 8.77% compared to the 2.2% rise in the market according to data from Inverco.

The rest, 42,701.9 million euros relates to life insurance, with an increase of 14.7% year on year, while the sector grew by 6% (data from ICEA).

VidaCaixa's market share (Parent Company of the Group) in all the life insurance premiums rose from 28.1% in December 2015 to 30.4% in 2016. This share reflects the strengthening of the Group's leadership in the sector, maintaining its position as the largest insurance company in the country.

The Group has complied with the Ministry of Justice Order of 8 October 2001 relating to environmental information, carrying out a declaration on the part of the Directors of the Parent Company confirming that there is no issue that need be included in the document with regard to environmental information. In parallel, as part of its Corporate Social Responsibility strategy, VidaCaixa, S.A.U. undertakes various projects in the field of reducing waste generation and in energy consumption savings.

On the other hand, the Group will still face uncertainties about the economic and political environment and how this will evolve in 2017. The evolution of the property market and consumption will depend in good measure on the contracting of risk insurance, while the evolution of the level of family savings and the situation with regard to interest rate curves, as well as the recovery of the economy and political stability, among other factors, will influence the contracting of pension plans and life-savings insurance.

With regard to management of the Group's investments, VidaCaixa, as the Parent Company, principally manages a fixed-income portfolio, and has very limited exposure to variable income securities. The Group's investment management is based on principles of consistency, profitability, security, liquidity and dispersal. The main financial risks of assets are also considered:

Market Risk: Understood as the risk of losses being incurred through holding positions on markets as a result of adverse movements in financial variables such as interest rates, exchange rates, share prices, commodities, etc.

Credit Risk: This is the risk of incurring losses through a failure on the part of debtors to meet their contractual obligations, or the expansion of the risk premium tied to their financial solvency.

Liquidity Risk: Assumed on the positioning of the various assets, this being the possibility of selling or mobilising the asset positions at any time.

When implementing the investments policy, consideration is also given to all the Group's liquidity needs, this being a fundamental parameter for management purposes. This analysis is supplemented and optimised by the centralisation of the liquidity balances of the different areas of the Group.

Management of the Group's credit is determined by strict internal compliance with an operational framework. Said framework of action is included within the scope of global application and consistent at the level of the "CaixaBank" Group. It defines the category of assets liable to be incorporated within the investments portfolio, using parameters such as solvency, liquidity and geographical exposure.

The management of investments is structured mainly through cash investments in the various classes of assets on financial markets. Nonetheless, the Group can use various categories of financial derivatives to the following ends:

- To guarantee adequate cover for the risks assumed in whole or in part by the asset portfolio held by the Group.
- As an investment in order to manage the portfolio appropriately.
- Within the framework of an administration policy intended to obtain a certain return.

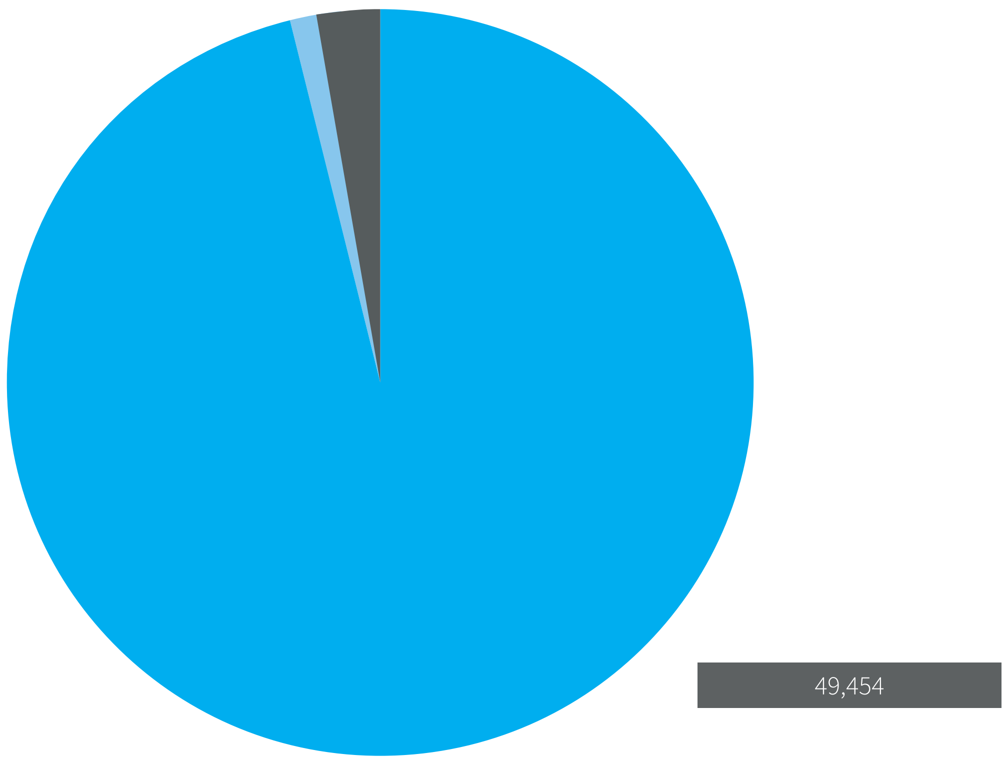
The Group's financial derivatives management policy also covers the use of counterparts which, as financial institutions subject to the supervision of the governing authorities of the member states of the European Union, have sufficient solvency. Contractually, these positions have an explicit guarantee allowing them to be left without effect at any time during the operation, either through their liquidation or through being ceded to third parties. This liquidation is guaranteed by a commitment on the part of the counterparts to publish the execution prices on a daily basis, together with a clear specification of the method of valuation used.

Financial derivatives are mainly used in financial swaps in order to adapt the flows of the investment portfolio to the needs derived from agreements with policyholders contained in the insurance contracts.

The Group's risk control strategy is based on the implementation by the investment managers of the directives and strategies established by the governing bodies of the Group, and is supplemented by a clear segregation of the functions of administration, control and management of investments. In addition, the internal audit unit is responsible for reviewing and guaranteeing compliance with control systems and procedures.

The summary of the Group's financial investment portfolio by asset type and issuer rating at 31 December 2016 is as follows:

PORTFOLIO BY ASSET TYPE

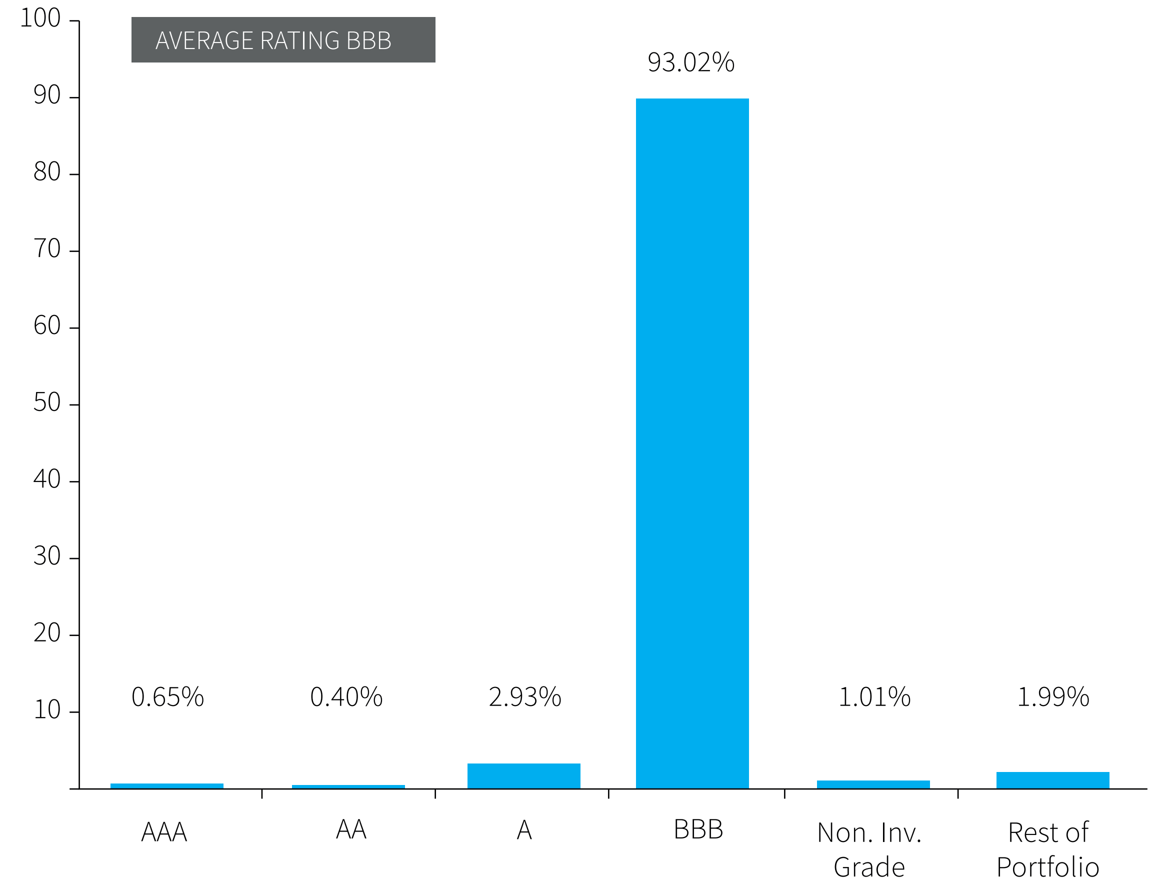


FIXED INCOME : 101.26% 50,077,982 VM

VARIABLE INCOME: 1.99% 982,773 VM

OTHERS: -3.25% 1,606,455 VM

PORTFOLIO BY RATING



Ratings according to Standard & Poor's. The average rating of our portfolio is BBB

Finally, within the sphere of the risks facing the Group, there is also Operational Risk. All of these are controlled and managed using the Group's Internal Control systems.

During the present financial year, the Parent Company has not held its own shares. With regards to Research and Development, it is important to highlight the digital transformation that the Group is undergoing and that has become one of its main challenges. Such a transformation is intended to cover all stages, from the initiation of savings to the definition of retirement goals and the follow-up of the same.

As indicated in Note 4 of the attached Report, on 1 January 2016, the regulations related to Solvency II came into effect. This note explains all the work performed by the Group to comply with the aforementioned regulations.

The average term for payment to suppliers of the Group in the 2016 financial year was 5.35 days.

In the future, the Group plans to maintain its current strategy of providing cover for the security and savings needs of families, using life-risk, life-savings and pension plans, encompassed in the range of VidaCaixa Group products, and to continue developing the range in the area of savings for retirement. Furthermore, the Group will continue its policy of continually improving the quality of the service it has provided since it was founded and hopes to increase its level of commercial activity by entering new client segments through the different distribution channels of the Group.

From the close of the financial year on 31 December 2016 up to the date of the formulation of this management report, no subsequent events of special relevance have occurred that are not mentioned in the Report.

During the 2016 financial year, 5 people joined and 5 people left the Board of Directors of the Parent Company, which was composed as follows on the date of preparing these annual accounts:

Chair:	Gonzalo Gortázar Rotaeche
Executive Vice-Chair / Chief Executive Officer:	Tomás Muniesa Arantegui
Vice-Chair:	Jorge Mercader Miró
Members:	Víctor Manuel Allende Fernández
	Jaime Gil Aluja
	Josep Delfí Guàrdia Canela
	Javier Ibarz Alegría
	Natividad Pilar Capella Pifarré
	José María Leal Villalba
	Antonio López López
	Miquel Valls Maseda
	José Vilarasau Salat
	Juan Rosell Lastortras
Managing Director (non-Board Member):	Antonio Trueba de Sinéty
Secretary (non-Board Member):	Adolfo Feijóo Rey
Vice-Secretary (non-Board Member):	María Blanca Zamora García