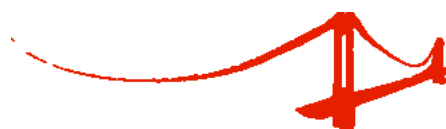




**MAPFRE**

Annual Report 2007

MAPFRE RE





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## GOVERNANCE BODIES OF THE REINSURANCE UNIT

BOARD OF DIRECTORS		Management Committee	Compliance Committee
CHAIRMAN	Mr. Andrés Jiménez		
VICE CHAIRMAN	Mr. Matías Salvá	VICE CHAIRMAN	CHAIRMAN
MANAGING DIRECTOR **	Mr. Pedro de Macedo	CHAIRMAN	
MEMBERS	Mr. Ángel Alonso	MEMBER	
	Mr. Ricardo Blanco		
	Mr. Javier Fernández-Cid **	MEMBER	
	Mr. Lorenzo Garagorri		
	Mr. Rolf Mehr (Vaudoise Assurances Holding)		
	Mr. David Moore ** (Shelter Mutual Insurance Company)		
	Mr. Juan Antonio Pardo		
	Mr. George A. Prescott (Ecclesiastical Insurance Office)	MEMBER	
	Mr. Ermanno Rho*		
	Mr. Gregorio Robles		MEMBER
	Mr. Agustín Rodríguez	MEMBER	MEMBER
	Mr. Francisco Ruiz		MEMBER
Mr. Domingo Sugranyes	MEMBER		
SECRETARY-DIRECTOR **	Mr. Claudio Ramos	SECRETARY-MEMBER	

\* On behalf of SOCIETÀ CATTOLICA DI ASSICURAZIONE

\*\* Appointments formalised at the General Meeting held on 4 December 2007



# Consolidated Management Report 2007

## EVOLUTION OF THE REINSURANCE MARKET IN 2007

The international reinsurance market developed satisfactorily, mainly due to the low intensity of natural catastrophes since, although there were some catastrophe claims, such as the storms in Northern Europe (Kyrill), Australia and the United Kingdom, their cost was largely borne by reinsurers through retention. Due to this reason, reinsurance operators are expected to close 2007 with results similar to or slightly higher than those registered in 2006, also thanks to the contribution of higher financial revenues due to improved interest rates. The recent instability in the financial markets is likely to have a marginal impact on the sector, albeit, at the time of drafting this report, the true effect of this problem cannot be predicted.

The mentioned low intensity of the catastrophes registered during the year, together with better results expected in 2007, have promoted greater competition in rates and conditions in virtually all lines and territories, although technical margins are expected to continue.

All the above, together with greater retention capacity among insurance entities and the ongoing transformation of proportional into non-proportional reinsurance programmes, is leading to a reduction in premiums, which will enhance competition among the different operators in order to achieve revenues commensurate with their high capitalisation and expectations.

During 2007 there were some significant acquisitions in the sector, and some reinsurance entities are underwriting direct business in order to compensate the reduction in reinsurance premiums, and to obtain results that may allow providing capital with an adequate return.

MAPFRE RE registered in the 2007 financial year remarkable growth in revenues and results in an increasingly competitive market environment.

Against this background, MAPFRE RE continued to consolidate its position in the marketplace, maintained its financial ratings and kept its prudent expansion in place, which allowed the company to make progress in the territories where it operates.

In 2007, the entity achieved major growth in written premiums and profits exceeding those of the preceding year. Premium growth contrasts to the market situation, which witnesses the continuation and, in some cases, reduction in premiums due to the transformation of proportional into non-proportional reinsurance contracts and to increased retention by the insurance companies; the increase in profits, as expected by the market, is due to the modest intensity of catastrophe claims and to growth in financial results, all in an increasingly competitive context.

## MAIN ACTIVITIES

- In its first full year of activity, the new branch in Munich (Germany), from which the German, Austrian and Eastern European portfolio is being developed, met the production budgets established in its business plan.

- MAPFRE RE's proprietary capital model was developed, as well as its application to risk management and business selection and underwriting. In addition, several business underwriting tools were extended and improved. The new "Condor" IT management system was successfully implemented at the beginning of the year, and during 2007 some of its applications were improved and some new ones were introduced. Furthermore, a system security audit is being carried out.

- In the context of the restructuring process carried out in the US market, the reinsurance business of MAPFRE REINSURANCE CORPORATION, which has been sold without activity to MAPFRE USA, was transferred to MAPFRE RE.

- The structure and placement of automatic corporate reinsurance programmes for the MAPFRE Group continued to consolidate, a process which is also being joined by the entities acquired in 2007 by MAPFRE INTERNACIONAL.

- Rating agencies valued very positively the entity's management capacity and solvency in their last review. Standard and Poor's maintains its AA rating, with stable outlook and A.M. Best rates the entity as A+, with stable outlook. Both ratings are among the highest in the market.

- The policy on services to clients was intensified, including, in particular, holding an International Reinsurance Seminar in Madrid, attended by representatives from entities in Spain, Portugal and Latin America; two Life seminars in Latin America; and several courses taught by ITSEMAP in Europe, Asia and Latin America. TRÉBOL, our magazine, continued publishing technical articles in its pages as well as interviews with industry professionals, maintaining with its publication a major and regular link with our clients.

- Several in-house training courses took place, addressed to the entity's technical staff, particularly including the course taught in Buenos Aires for facultative business underwriters, where a new risk quoting tool was introduced.

- 2007 witnessed the celebration of the 25th anniversary of the creation of the entity, with several events for clients in the European, American and Asian offices, which culminated with three important events: one in Monte Carlo, for international clients, brokers and retrocessionaires of MAPFRE RE; another one in Madrid, with Group clients and senior managers; and the third one in Guayaquil (Ecuador), together with a high number of clients, in the framework of the Insurance Hemispheric Conference.

## INFORMATION ON SUBSIDIARIES

CAJA REASEGURADORA DE CHILE, with shareholders' equity amounting to € 58.3 million, registered in 2007 a negative pre-tax result of € 2.1 million, owing to the increase in mathematical reserves due to regulatory changes.

## EVENTS AFTER THE BALANCE SHEET DATE

Until the time of closing this report, there have been no significant occurrences that might have an impact on the outlook or the budgets for the current year.

There have been no events after the balance sheet date that may have an impact on the financial statements as at 31 December 2007.

## OUTLOOK

During the recent renewal campaign, strong competition has been observed in tariffs and conditions, transformation of proportional into non proportional programmes, and increased retention by insurance companies, it all enlivened by a year when, in spite of there being a greater frequency of catastrophe claims, their intensity was relatively modest. Due to these reasons, large growth in business volumes is not expected.

In 2008, MAPFRE RE will continue to develop its business portfolio prudently in markets and lines with growth potential and expected positive results, in an increasingly competitive environment.

## PROPOSAL OF RESOLUTIONS

### Corporate Management

- Approval of the Individual and Consolidated Annual Accounts for 2007.
- Approval of the Board of Directors' Management during financial year 2007.
- Approval of the following proposal of distribution of the available net profit:

## Distribution of results

DISTRIBUTION BASIS	EUROS
Result of the year <sup>(1)</sup>	91,750,711.35
Result from previous years pending application	70,042,501.46
<b>Total</b>	<b>161,793,212.81</b>
DISTRIBUTION	EUROS
Legal reserve	9,175,071.14
Dividend	-
Donation to MAPFRE Foundations	1,635,000.00
Remainder	150,983,141.67
<b>Total</b>	<b>161,793,212.81</b>

(1) Corresponds to the parent company.

## Governance Bodies

The General Shareholders Meeting held on 4 December 2007 ratified the proposals of the Board of Directors meeting held on 23 October 2007. These proposals consisted of the appointment of Mr. Pedro de Macedo as Managing Director and Chairman of the Management Committee, an office that had been fulfilled until then by Mr. Andrés Jiménez; acceptance of the resignation submitted by Mr. J. Donald Duello on 23 October 2007 and appointment, for a four-year mandate, Mr. Javier Fernández-Cid, Mr. Claudio Ramos and Mr. J. David Moore as members of the Board of Directors and of the Management Committee. The Board of Directors wishes to express its deep gratitude to Mr. J. Donald Duello for his major contribution to the company's development.

## Other proposals

- Extension of the appointment of Ernst & Young, S.L. as auditing firm of the company's accounts for a period of one year.
- Donation to FUNDACIÓN MAPFRE amounting to € 1,635,000 in accordance with the proposed profit distribution for the year.
- Authorisation to the Board of Directors in order that, pursuant to the provisions of article 153 of the Corporations Act, it may, during a period of five years from the date of this resolution, increase in one or several times the share capital up to the maximum figure legally allowed.
- Delegation of powers for the fulfilment and raise to public status the resolutions adopted by the Shareholders Meeting.
- Vote of thanks to all staff for their loyal cooperation during the year.





## REINSURANCE UNIT

INCOME STATEMENT UNDER IFRS	2007	2006	2005	VAR. % 07/06	VAR. % 06/05
<b>ACCEPTED REINSURANCE</b>					
Accepted Premiums	1,601.2	1,437.7	1,337.4	11%	7%
Premiums earned in the year	1,486.4	1,276.9	1,197.4	16%	7%
Claims (incl. claim related expenses)	(824.0)	(739.3)	(916.9)	11%	(19%)
Operating expenses and other technical expenses	(406.4)	(393.5)	(350.8)	3%	12%
<b>RESULT OF ACCEPTED REINSURANCE</b>	<b>256.0</b>	<b>144.2</b>	<b>(70.3)</b>	<b>78%</b>	<b>(305%)</b>
<b>RETROCEDED REINSURANCE</b>					
Premiums and variation in provision for unearned premiums	(480.9)	(399.3)	(362.0)	20%	10%
Claims paid and variation in provision for claims	194.3	223.9	351.2	(13%)	(36%)
Commissions and participations	104.4	95.4	89.2	9%	7%
<b>RESULT OF RETROCEDED REINSURANCE</b>	<b>(182.2)</b>	<b>(80.0)</b>	<b>78.4</b>	<b>128%</b>	<b>(202%)</b>
Other technical revenues and expenses	(0.3)	(0.6)	(1.2)	(54%)	(49%)
<b>RESULT OF THE TECHNICAL ACCOUNT LIFE AND NON LIFE</b>	<b>73.7</b>	<b>63.6</b>	<b>7.0</b>	<b>16%</b>	<b>809%</b>
Net revenues from investments	65.8	54.7	59.4	20%	(8%)
Unrealised investment gains and losses			0.0		
Other non technical revenues and expenses	(5.2)	(2.6)	(3.4)	100%	(23%)
Results of minority shareholdings	0.6		0.2	N. A.	(100%)
<b>RESULT OF THE LIFE AND NON LIFE BUSINESS</b>	<b>134.9</b>	<b>115.8</b>	<b>63.3</b>	<b>16%</b>	<b>83%</b>
<b>RESULT FROM OTHER ACTIVITIES</b>			<b>0.0</b>		
<b>RESULT BEFORE TAXES AND MINORITY INTERESTS</b>	<b>134.9</b>	<b>115.8</b>	<b>63.3</b>	<b>16%</b>	<b>83%</b>
Corporation tax	(43.9)	(38.6)	(22.1)	14%	(74%)
Result after tax on discontinued operations	(3.2)		(8.9)		
<b>RESULT AFTER TAX</b>	<b>87.8</b>	<b>77.2</b>	<b>32.2</b>	<b>14%</b>	<b>140%</b>
Minority shareholders	0.0	0.0	0.0	N. A.	(108%)
<b>RESULT AFTER TAX AND MINORITY INTERESTS</b>	<b>87.8</b>	<b>77.2</b>	<b>32.3</b>	<b>14%</b>	<b>139%</b>

Figures in millions of euros



<b>RATIOS</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>		
<b>NON LIFE BUSINESS</b>					
Claims in accepted reinsurance	53.1%	57.6%	77.6%		
Expenses in accepted reinsurance	28.4%	31.2%	30.0%		
Combined ratio net of retroceded reinsurance	91.6%	92.3%	99.0%		
<b>LIFE BUSINESS</b>					
Net operating expenses / Provisions for life insurance	20.4%	18.2%	12.9%		

<b>DETAILED BASIC PREMIUMS</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>VAR. % 07/06</b>	<b>VAR. % 06/05</b>
Non life	1,477.9	1,336.6	1,241.7	10.6%	7.6%
Life	123.2	101.0	95.7	22.0%	5.5%
<b>TOTAL</b>	<b>1,601.2</b>	<b>1,437.7</b>	<b>1,337.4</b>	<b>11.4%</b>	<b>7.5%</b>

*Figures in millions of euros*

<b>BASIC BALANCE SHEET MAGNITUDES (IFRS)</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>VAR. % 07/06</b>	<b>VAR. % 06/05</b>
Financial investments and cash	1,659.2	1,486.3	1,374.3	11.6%	8.1%
Total assets	2,879.9	2,660.6	2,545.2	8.2%	4.5%
Equity	725.2	647.1	622.7	12.1%	3.9%
ROE	12.8%	11.9%	5.2%	7.6%	128.8%

*Figures in millions of euros*

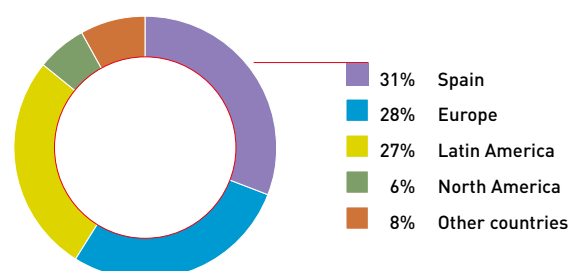
<b>SOLVENCY AND COVERAGE DATA</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>VAR. % 07/06</b>	<b>VAR. % 06/05</b>
Technical provisions to be covered	1,723.9	1,539.3	1,487.4	12.0%	3.5%
Excess of qualifying assets over provisions	406.8	386.9	447.0	5.2%	(13.5%)
Minimum amount of solvency margin (consolidated)	223.1	201.2	198.1	10.9%	1.6%
Solvency margin (consolidated)	692.3	605.9	608.7	14.3%	(0.5%)
Times required minimum	3.1	3.0	3.1	3.1%	(2.0%)

*Figures in millions of euros*

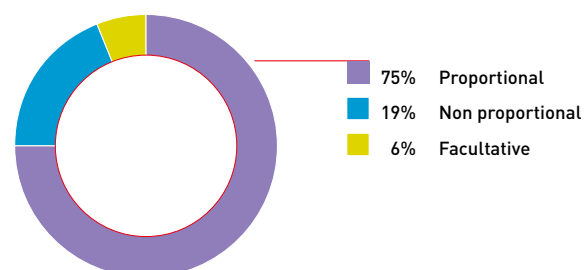
  

<b>OTHER INFORMATION</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>VAR. % 07/06</b>	<b>VAR. % 06/05</b>
Employees	258	256	251	0.8%	2.0%
% commissions on written premiums, accepted reinsurance	26.1%	28.9%	24.5%	(9.7%)	18.0%
% internal management expenses of accepted premiums	2.3%	2.3%	2.3%	0.0%	0.0%

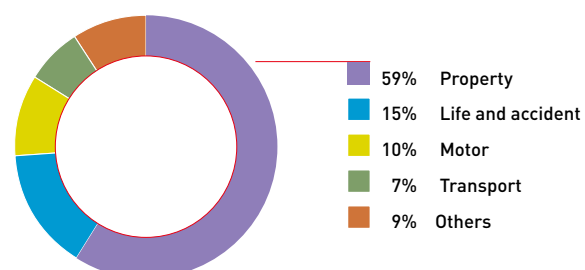
### PORTFOLIO MIX PER GEOGRAPHICAL AREA



### PORTFOLIO MIX PER TYPE OF BUSINESS



### PORTFOLIO MIX PER LINE



## ADDITIONAL NOTES

### Environment

MAPFRE's commitment to environment hinges on three pillars: integrating environmental criteria into the development of its business, environmental management, and promotion of environmental responsibility. Along this line, MAPFRE, in addition to assuming the environmental commitments established in the UN Global Compact, is member of the United Environmental Program Financial Initiative (UNEP FI), established for financial and insurance companies, which is promoted by the UN Program

for Environment; and it has signed cooperation agreements with significant public bodies in relation to water savings and energy efficiency.

MAPFRE maintains a coordinated policy of Environmental care for the entire Group. During 2007, decisive progress was made in shaping a model capable of better integrating the various components of Safety and Environment, which operates under the principles of centralised management and decentralised implementation, in order to effectively and efficiently satisfying the requirements arising from compliance with the legal regulations, and the efficient protection of people, assets and business. In this respect, major milestones have been reached, and other projects are being developed that represent major challenges due to their complexity, the schedule for their implementation or the number of partners affected at the time of achieving the pursued results. MAPFRE's Corporate Responsibility Report provides extensive information on the Group's environmental policy and management.

### Staff

The staff rendering their services to the company has the following structure divided by professional categories:

CATEGORY	2007	2006	2005
Managerial	65	65	66
Clerical	101	102	98
Marketing	9	9	18
Others	86	80	69
<b>Total</b>	<b>261</b>	<b>256</b>	<b>251</b>

### Investments

As to financial investments, MAPFRE RE's policy to mitigate its exposure to this type of risks is based on a prudent investment policy, with most of the portfolio consisting of fixed income securities.

With respect to credit risk, MAPFRE RE's policy is based on prudence (issuer's solvency) and diversification. Thus, its fixed income portfolio consists mostly of securities with high credit ratings.

Diversification criterias are applied, in relation to both fixed income and equity investments, by activity sector and maximum risk limits per issuer.





# Consolidated annual accounts 2007

**A) CONSOLIDATED BALANCE SHEET AS AT 31 DE DECEMBER 2007 AND 2006**

<b>ASSETS</b>	<b>NOTES</b>	<b>2007</b>	<b>2006</b>
<b>A) INTANGIBLE ASSETS</b>		<b>2,297</b>	<b>1,830</b>
I. Goodwill	5,1. 6,1		
II. Other intangible assets	5,1. 6,1	2,297	1,830
<b>B) PROPERTY, PLANT AND EQUIPMENT</b>		<b>36,042</b>	<b>36,580</b>
I. Property for own use	5,2. 6,2	34,437	34,673
II. Other tangible assets		1,605	1,907
<b>C) INVESTMENTS</b>		<b>1,935,986</b>	<b>1,751,948</b>
I. Investment property	5,2. 6,2	31,450	35,183
II. Financial Investments		1,627,094	1,441,547
1. Portfolio held to maturity	5,4. 6,4	178,919	121,682
2. Portfolio available for sale	5,4. 6,4	1,418,453	1,255,507
3. Trading portfolio	5,4. 6,4	29,722	64,358
III. Investments recorded by the equity methodo	3,1	12,992	12,032
IV. Deposits established on accepted reinsurance		263,960	262,712
V. Other investments		490	474
<b>D) INVESTMENTS ON ACCOUNT OF LIFE POLICY HOLDERS BEARING THE INVESTMENT RISK</b>			
<b>E) INVENTORIES</b>			
<b>F) PARTICIPATION OF REINSURANCE IN TECHNICAL PROVISIONS</b>	5,10. 6,10	<b>551,523</b>	<b>525,237</b>
<b>G) DEFERRED TAX ASSETST</b>	6.18	<b>6,559</b>	<b>9,669</b>
<b>H) CREDITS</b>	5,6. 6,5	<b>176,239</b>	<b>166,140</b>
I. Credits on direct insurance and coinsurance transactions			
II. Credits on reinsurance transactions		160,478	147,253
III. Tax credits		7,185	3,517
IV. Corporate credits and others		8,576	15,370
V. Shareholders, called capital			
<b>I) CASH AND BANKS</b>	5,7. 6,7	<b>32,091</b>	<b>44,714</b>
<b>J) ACCRUAL ADJUSTMENTS</b>	5,8	<b>138,485</b>	<b>124,147</b>
<b>K) OTHER ASSETS</b>		<b>699</b>	<b>163</b>
<b>L) NON-CURRENT ASSETS HELD FOR SALE AND DISCOUNTED OPERATIONS</b>	5,9. 6,8	<b>0</b>	<b>148</b>
<b>TOTAL ASSETS</b>		<b>2,879,921</b>	<b>2,660,576</b>

Amounts in thousands of Euros

## A) CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2007 AND 2006

LIABILITIES AND EQUITY	NOTAS	2007	2006
<b>A) EQUITY</b>		<b>725,198</b>	<b>647,138</b>
I. Paid-up capital	6,9	223,916	223,916
II. Reserves		273,377	262,297
III. Treasury stocks			
IV. Valuation adjustment reserves		18,279	23,590
V. Forex conversion differences	3,2	18,576	14,055
VI. Retained earnings		191,008	123,233
1. Results from previous year pending application		103,239	77,843
2. Result of the year attributable to the controlling Company		87,769	77,172
3. Interim dividend		0	(31,782)
<b>Equity attributed to the controlling Company's shareholders</b>		<b>725,156</b>	<b>647,091</b>
<b>Minority interests</b>		<b>42</b>	<b>47</b>
<b>B) SUBORDINATED LIABILITIES</b>			
<b>C) TECHNICAL PROVISIONS</b>	5,10. 6,10	<b>1,805,821</b>	<b>1,656,241</b>
I. Provisions for unearned premiums and for risks in progress		913,920	807,269
II. Life insurance provision		125,630	125,205
III. Claims provision		766,271	723,767
IV. Other technical provisions			
<b>D) TECHNICAL PROVISIONS RELATED TO LIFE INSURANCE WHEN POLICY HOLDERS BEAR THE INVESTMENT RISK</b>			
<b>E) PROVISIONS FOR RISKS AND EXPENSES</b>	5,11. 6,11	<b>8,057</b>	<b>7,970</b>
<b>F) EPOSITS RECEIVED ON CEDED AND RETROCEDED REINSURANCE</b>	6,12	<b>129,929</b>	<b>143,363</b>
<b>G) DEFERRED TAX LIABILITIES</b>	6,18	<b>26,996</b>	<b>27,447</b>
<b>H) DEBTS</b>	5,12. 6,13	<b>91,855</b>	<b>99,559</b>
I. Issuance of debentures and other negotiable securities			
II. Due to credit institutions			
III. Other financial liabilities			
IV. Due on direct insurance and coinsurance operations		0	312
V. Due on reinsurance operations		77,161	84,372
VI. Tax payable		2,078	1,672
VII. Other debts		12,616	13,203
<b>I) ACCRUAL ADJUSTMENTS</b>	5.8	<b>92,065</b>	<b>78,858</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>2,879,921</b>	<b>2,660,576</b>

Amounts in thousands of Euros

## B) CONSOLIDATED INCOME STATEMENT FOR YEARS ENDED 31 DE DECEMBER 2007 AND 2006

CONCEPT	NOTES	2007	2006
<b>I. REVENUES</b>			
1. Premiums in the year, net	5,10	1,005,509	877,590
a) Written premiums from direct insurance		22	28
b) Premiums from ceded reinsurance		1,601,144	1,437,634
c) Premiums from accepted reinsurance		(534,693)	(453,348)
d) Variation in provisions for unearned premiums and risks in progress, net	5,10.6,10	(60,964)	(106,724)
Direct insurance		4	(6)
Accepted reinsurance		(114,716)	(160,744)
Ceded reinsured		53,748	54,026
2. Sharing in profits in companies recorded by the equity method		567	153
3. Income from investments	5,15. 6,4. 6,15	102,176	76,989
a) From operations		88,815	66,309
b) From equity		13,361	10,680
4. Unrealised gains in investments on account of policy holders bearing the investment risk			
5. Other technical revenues		412	92
6. Other non-technical revenues		1,676	2,060
7. Positive Forex exchange differences	6.20	74,374	81,647
8. Reversal of the asset impairment provision		68	
<b>TOTAL REVENUES</b>		<b>1,184,782</b>	<b>1,038,531</b>
<b>II. EXPENSES</b>			
1. Claims in the year, net	5,10	(629,710)	(514,107)
a) Claims paid and variation in the provision for claims, net		(628,884)	(513,065)
Direct insurance		1,172	520
Accepted reinsurance		(824,362)	(737,533)
Ceded reinsurance	6,17	194,306	223,948
b) Claims related expenses		(826)	(1,042)
2. Variation in other technical provisions, net		9,453	(1,196)
3. Sharing in profits and premium returns			
4. Net operating expenses	6,16	(311,493)	(298,086)
a) Acquisition expenses		(406,356)	(384,445)
b) Administration expenses		(9,513)	(9,054)
c) Commissions and sharing in ceded and retroceded reinsurance		104,376	95,413
5. Sharing in losses of companies recorded by the equity method			
6. Expenses from investments	5,15. 6,4. 6,15	(23,559)	(21,548)
a) From operations		(17,263)	(13,965)
b) From equity and financial accounts		(6,296)	(7,583)

(Continues on the following page)



(Continued from the previous page)

<b>CONCEPT</b>	<b>NOTES</b>	<b>2007</b>	<b>2006</b>
7. Unrealised losses in investments on account of policy holders bearing the investment risk			
8. Other technical expenses		(684)	(688)
9. Other non-technical expenses		(6,834)	(4,637)
10. Negative Forex exchange differences	6.20	(86,388)	(82,500)
11. Allocation provision for deterioration of assets		(673)	
<b>TOTAL EXPENSES</b>		<b>(1,049,888)</b>	<b>(10,033.61)</b>
<b>III. PROFIT BEFORE TAX FROM ONGOING OPERATIONS</b>		<b>134,894</b>	<b>115,769</b>
<b>IV. TAX ON PROFIT FROM ONGOING OPERATIONS</b>	5,18. 6,18	<b>(43,892)</b>	<b>(38,595)</b>
<b>V. PROFIT AFTER TAX FROM DISCOUNTED OPERATIONS</b>	6.8	<b>(3,238)</b>	
<b>VI. PROFIT FOR THE YEAR</b>		<b>87,764</b>	<b>77,174</b>
1. Attributable to minority shareholders		5	(2)
2. Attributable to the controlling Company		87,769	77,172

Amounts in thousands of Euros

**C) CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2006 AND 2007**

CONCEPT	EQUITY CREDITED TO THE CONTROLLING COMPANY'S SHAREHOLDERS							Total equity
	Paid-up capital	Reserves	Treasury stock	Valuation adjustments Reserves	Conversion difference	Retained earnings	Minority interests	
<b>BALANCES AS AT 1 JANUARY 2007</b>	223,916	295,790		36,376	23,414	43,151	53	622,700
I. Changes in accounting policies								-
II. Correction of errors								-
<b>BALANCES AS AT 1 JANUARY 2007 RESTATED</b>	223,916	295,790	0	36,376	23,414	43,151	53	622,700
<b>VARIATIONS IN 2006</b>								
I. Result recognised directly in equity								
1. From revaluation of tangible and intangible fixed assets								
2. From investments available for sale				5,503				5,503
3. From cash flow hedges								
4. From conversion differences					(9,359)			(9,359)
5. From other results recognised directly in equity								
<b>Total result recognised directly in equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,503</b>	<b>(9,359)</b>	<b>0</b>	<b>0</b>	<b>(3,856)</b>
II. Other results for 2006						77,172		77,172
III. Distribution of 2005 results		(40,588)				34,692		(5,896)
IV. Interim dividend for 2006						(31,782)		(31,782)
V. Capital increase	0	0		0				0
VI. Called capital pending payment								
VII. Capital decrease								
VIII. Other increases		7,095				0		7,095
IX. Other decreases				(6,244)		0	(6)	(6,250)
X. Forex conversion differences				(12,045)				
<b>TOTAL VARIATIONS IN 2006</b>	<b>0</b>	<b>(33,493)</b>	<b>0</b>	<b>(18,289)</b>	<b>0</b>	<b>80,082</b>	<b>(6)</b>	<b>28,294</b>
<b>BALANCE AS AT 31 DECEMBER 2006</b>	<b>223,916</b>	<b>262,297</b>	<b>0</b>	<b>23,590</b>	<b>14,055</b>	<b>123,233</b>	<b>47</b>	<b>647,138</b>

Amounts in thousands of Euros

(Continues on the following page)

(Continued from the previous page)

CONCEPT	EQUITY CREDITED TO THE CONTROLLING COMPANY'S SHAREHOLDERS							
	Paid-up capital	Reserves	Treasury stock	Valuation adjustments Reserves	Conversion difference	Retained earnings	Minority interests	Total equity
I. Changes in accountig policies								0
II. Correction of errors								0
<b>BALANCE AS AT 1 JANUARY 2007 RESTATED</b>	<b>223,916</b>	<b>262,297</b>	<b>0</b>	<b>23,590</b>	<b>14,055</b>	<b>123,233</b>	<b>47</b>	<b>647,138</b>
<b>VARIATIONS IN 2007</b>								
I. Result recognised directly in equity								
1. From revaluation of tangible and intangible fixed assets								
2. From investments available for sale				(5,311)				(5,311)
3. From cash flow hedges								
4. From conversion differences					(796)			(796)
5. From other results recognised directly in equity								
<b>Total result recognised directly in equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(5,311)</b>	<b>(796)</b>	<b>0</b>	<b>0</b>	<b>(6,107)</b>
II. Other results for 2007						87,769	(5)	87,764
III. Distribution of 2006 results		0				(4,019)		(4,019)
IV. Interim dividend for 2007						0		0
V. Capital increase								0
VI. Called capital pending payment								
VII. Capital decrease								
VIII. Other increases		11,080			0	0		11,080
IX. Other decreases				0		(15,975)	0	(15,975)
X. Forex conversion differences				0	5,317			5,317
<b>TOTAL VARIATIONS IN 2007</b>	<b>0</b>	<b>11,080</b>	<b>0</b>	<b>0</b>	<b>5,317</b>	<b>67,775</b>	<b>(5)</b>	<b>84,167</b>
<b>BALANCE AS AT 31 DECEMBER 2007</b>	<b>223,916</b>	<b>273,377</b>	<b>0</b>	<b>18,279</b>	<b>18,576</b>	<b>191,008</b>	<b>42</b>	<b>725,198</b>

Amounts in thousands of Euros

## D) CONSOLIDATED CASH FLOW STATEMENT FOR YEARS ENDED 31 DECEMBER 2007 AND 2006

CONCEPTS	2007	2006
Premiums collected	0	113
Payment of claims		
Collections from reinsurance transactions	439,267	286,916
Payments on reinsurance transactions	(214,644)	(71,202)
Payment of commissions	0	(2,569)
Collections from clients, other activities		
Payments to suppliers, other activities		
Other operating cash inflows	9,499	1,812
Other operating cash outflows	(56,766)	(28,485)
Payments or collections from the corporation tax	(27,957)	(36,269)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>149,399</b>	<b>150,316</b>
Purchases of intangible assets	0	0
Purchases of property, plant and equipment	0	(23)
Acquisition of investments and payment of capital increases	(207,259)	(325,230)
Cash generated by companies incorporated into the consolidation perimeter		
Cash corresponding to companies no longer included in consolidation perimeter	(25,563)	
Sales of intangible fixed assets		
Sales of property, plant and equipment	12	15
Sales of investments	17,754	137,666
Interest collected	52,585	50,561
Interest paid		
Collections from dividends	6,059	2,373
Collections from other financial instruments	671	2,394
Payments on other financial instruments	(2,186)	
<b>NET CASH FLOWS FROM INVESTMENT ACTIVITIES</b>	<b>(157,927)</b>	<b>(132,244)</b>
Dividends and donations paid	(4,019)	(38,713)
Collections and capital increases		
Payments on return of shareholders' contributions		
Collections from issuance of debentures		
Payments on interest and redemption of debentures		
Payments on interest and repayment of other long term borrowings		
Collections from other long term borrowings	0	7,033
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(4,019)</b>	<b>(31,680)</b>
<b>NET INCREASE/(DECREASE) IN CASH FLOW</b>	<b>(12,547)</b>	<b>(13,608)</b>
Forex conversion differences in cash flow and cash balances	(76)	(805)
<b>OPENING CASH BALANCE</b>	<b>44,714</b>	<b>59,127</b>
<b>CLOSING CASH BALANCE</b>	<b>32,091</b>	<b>44,714</b>

Amounts in thousands of Euros

## E) FINANCIAL INFORMATION BY SEGMENTS - CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2007 AND 2006

ASSETS	LIFE REINSURANCE		NON-LIFE REINSURANCE		TOTAL	
	2007	2006	2007	2006	2007	2006
<b>A) INTANGIBLES ASSETS</b>	<b>189</b>	<b>133</b>	<b>2,108</b>	<b>1,697</b>	<b>2,297</b>	<b>1,830</b>
I. Goodwill					0	0
II. Other intangible assets	189	133	2,108	1,697	2,297	1,830
<b>B) PROPERTY, PLANT AND EQUIPMENT</b>	<b>3,727</b>	<b>3,549</b>	<b>32,315</b>	<b>33,031</b>	<b>36,042</b>	<b>36,580</b>
I. Property for own use	3,535	3,313	30,902	31,360	34,437	34,673
II. Other tangible assets	192	236	1,413	1,671	1,605	1,907
<b>C) INVESTMENTS</b>	<b>233,377</b>	<b>221,059</b>	<b>1,702,609</b>	<b>1,530,889</b>	<b>1,935,986</b>	<b>1,751,948</b>
I. Investment property	26,644	29,228	4,806	5,955	31,450	35,183
II. Financial investments	173,924	160,349	1,453,170	1,281,198	1,627,094	1,441,547
1. Portfolio held to maturity	22,358	17,616	156,561	104,066	178,919	121,682
2. Portfolio available for sale	138,173	127,472	1,280,280	1,128,035	1,418,453	1,255,507
3. Trading portfolio	13,393	15,261	16,329	49,097	29,722	64,358
III. Investments recorded by the equity method	11,887	11,018	1,105	1,014	12,992	12,032
IV. Deposits established on accepted reinsurance	20,922	20,464	243,038	242,248	263,960	262,712
V. Other investments			490	474	490	474
<b>D) INVESTMENTS ON ACCOUNT OF LIFE POLICY HOLDERS BEARING THE INVESTMENT RISK</b>						
<b>E) INVENTORIES</b>						
<b>F) PARTICIPATION OF REINSURANCE IN TECHNICAL PROVISIONS</b>	<b>14,306</b>	<b>9,242</b>	<b>537,217</b>	<b>515,995</b>	<b>551,523</b>	<b>525,237</b>
<b>G) DEFERRED TAX ASSETS</b>	<b>539</b>	<b>720</b>	<b>6,020</b>	<b>8,949</b>	<b>6,559</b>	<b>9,669</b>
<b>H) CREDITS</b>	<b>14,098</b>	<b>11,953</b>	<b>162,141</b>	<b>154,187</b>	<b>176,239</b>	<b>166,140</b>
I. Receivables on direct insurance and coinsurance transactions						
II. Receivables on reinsurance transactions	13,224	10,591	147,254	136,662	160,478	147,253
III. Tax credits	571	181	6,614	3,336	7,185	3,517
IV. Corporate and other credits	303	1,181	8,273	14,189	8,576	15,370
V. Shareholders, called capital			0		0	0
<b>I) CASH AND BANKS</b>	<b>2,829</b>	<b>1,633</b>	<b>29,262</b>	<b>43,081</b>	<b>32,091</b>	<b>44,714</b>
<b>J) ACCRUAL ADJUSTMENTS</b>	<b>3,619</b>	<b>2,198</b>	<b>134,866</b>	<b>121,949</b>	<b>138,485</b>	<b>124,147</b>
<b>K) OTHER ASSETS</b>	<b>57</b>	<b>2</b>	<b>642</b>	<b>161</b>	<b>699</b>	<b>163</b>
<b>L) NON-CURRENT ASSETS HELD FOR SALE AND DISCOUNTED OPERATIONS</b>	<b>0</b>	<b>148</b>			<b>0</b>	<b>148</b>
<b>TOTAL ASSETS BY SEGMENTS</b>	<b>272,741</b>	<b>250,637</b>	<b>2,607,180</b>	<b>2,409,939</b>	<b>2,879,921</b>	<b>2,660,576</b>

Amounts in thousands of Euros

## E) FINANCIAL INFORMATION BY SEGMENTS - CONSOLIDATED BALANCE SHEET AS AT DECEMBER 2007 AND 2006

LIABILITIES AND EQUITY	LIFE REINSURANCE		NON-LIFE REINSURANCE		TOTAL	
	2007	2006	2007	2006	2007	2006
<b>A) EQUITY</b>	89,052	82,921	636,146	564,217	725,198	647,138
I. Paid-up capital	18,413	16,670	205,503	207,246	223,916	223,916
II. Reserves	61,426	56,254	211,951	206,043	273,377	262,297
III. Treasury stock						
IV. Valuation adjustment reserves	4,017	4,916	14,262	18,674	18,279	23,590
V. Forex conversion differences	365	2,677	18,211	11,378	18,576	14,055
VI. Retained earnings	4,789	2,357	186,219	120,876	191,008	123,233
Equity attributed to the controlling Company's shareholders	89,010	82,874	636,146	564,217	725,156	647,091
Minority interests	42	47			42	47
<b>B) SUBORDINATED LIABILITIES</b>						
<b>C) TECHNICAL PROVISIONS</b>	165,142	148,391	1,640,679	1,507,850	1,805,821	1,656,241
I. Provisions for unearned premiums and for risks in progress			913,920	807,231	913,920	807,231
II. Provision for life insurance	125,630	125,243			125,630	125,243
III. Provision for claimsa	39,512	23,148	726,759	700,619	766,271	723,767
IV. Other technical provisions						
<b>D) TECHNICAL PROVISIONS RELATING TO LIFE INSURANCE WHEN POLICY HOLDERS BEAR THE INVESTMENT RISK</b>						
<b>E) PROVISIONS FOR RISKS AND EXPENSES</b>	649	570	7,408	7,400	8,057	7,970
<b>F) DEPOSITS RECEIVED ON CEDED AND RETROCEDED REINSURANCE</b>	5,615	6,108	124,314	137,255	129,929	143,363
<b>G) DEFERRED TAX LIABILITIES</b>	2,731	2,664	24,265	24,783	26,996	27,447
<b>H) DEBT</b>	9,552	9,983	82,303	89,576	91,855	99,559
I. Issuance of debentures and other negotiable securities						
II. Due to credit institutions						
III. Other financial liabilities						
IV. Due on direct insurance an coinsurance operations			0	312	0	312
V. Due on reinsurance operations	6,192	6,152	70,969	78,220	77,161	84,372
VI. Tax payable	146	106	1,932	1,566	2,078	1,672
VII. Other debts	3,214	3,725	9,402	9,478	12,616	13,203
<b>I) ACCRUAL ADJUSTMENTS</b>			92,065	78,858	92,065	78,858
<b>TOTAL LIABILITIES AND EQUITY BY SEGMENTS</b>	<b>272,741</b>	<b>250,637</b>	<b>2.607,180</b>	<b>2,409,939</b>	<b>2,879,921</b>	<b>2,660,576</b>

Amounts in thousands of Euros

**E) FINANCIAL INFORMATION BY SEGMENTS - CONSOLIDATED INCOME STATEMENT  
FOR YEARS ENDED DECEMBER 2007 AND 2006**

	LIFE REINSURANCE		NON-LIFE-REINSURANCE		TOTAL	
	2007	2006	2007	2006	2007	2006
<b>I. REVENUES</b>						
1. Premiums in the year, net	101,140	81,248	904,369	796,342	1,005,509	877,590
a) Written premiums from direct insurance			22	28	22	28
b) Premiums from accepted reinsurance	123,224	101,020	1,477,920	1,336,614	1,601,144	1,437,634
c) Premiums from ceded reinsurance	(18,683)	(11,485)	(516,010)	(441,863)	(534,693)	(453,348)
d) Variation in provisions for unearned premiums and for risks in progress, net	(3,401)	(8,287)	(57,563)	(98,437)	(60,964)	(106,724)
Direct insurance			4	(6)	4	(6)
Accepted reinsurance	(8,188)	(9,909)	(106,528)	(150,835)	(114,716)	(160,744)
Ceded reinsurance	4,787	1,622	48,961	52,404	53,748	54,026
2. Sharing in profits in companies recorded by the equity method	523	14	44	139	567	153
3. Income from investments	12,748	10,783	89,428	66,206	102,176	76,989
a) From operations	11,575	9,681	77,240	56,628	88,815	66,309
b) From equity	1,173	1,102	12,188	9,578	13,361	10,680
4. Unrealised gains in investments in account of life policy holders bearing the investment risk						
5. Other technical revenues			412	92	412	92
6. Other non-technical revenues	1,486	869	190	1,191	1,676	2,060
7. Positive Forex exchange differences	6,642	8,075	67,732	73,572	74,374	81,647
8. Reversal of the asset impairment provision			68		68	
<b>TOTAL REVENUES</b>	<b>122,539</b>	<b>100,989</b>	<b>1,062,243</b>	<b>937,542</b>	<b>1,184,782</b>	<b>1,038,531</b>

*Datos en miles de euros*

*(Continues on the following page)*

## E) FINANCIAL INFORMATION BY SEGMENTS - CONSOLIDATED INCOME STATEMENT FOR YEARS ENDED DECEMBER 2007 AND 2006

(Continued from the previous page)

	REASEGURO VIDA		REASEGURO NO VIDA		TOTAL	
	2007	2006	2007	2006	2007	2006
<b>II. EXPENSES</b>						
1. Claims in the year, net	(86,851)	(55,694)	(542,859)	(458,413)	(629,710)	(514,107)
a) Claims paid and variation in the provision for claims, net	(86,747)	(55,643)	(542,137)	(457,422)	(628,884)	(513,065)
Direct insurance			1,172	520	1,172	520
Accepted reinsurance	(95,661)	(62,710)	(728,701)	(674,823)	(824,362)	(737,533)
Ceded reinsurance	8,914	7,067	185,392	216,881	194,306	223,948
b) Claim related expenses	(104)	(51)	(722)	(991)	(826)	(1,042)
2. Variation in other technical provisions, net	9,453	(1,196)			9,453	(1,196)
3. Sharing in profits and premium returns						
4. Net operating expenses	(25,598)	(21,107)	(285,895)	(276,979)	(311,493)	(298,086)
a) Acquisition expenses	(23,987)	(18,420)	(382,369)	(366,025)	(406,356)	(384,445)
b) Administration expenses	(2,265)	(3,197)	(7,248)	(5,857)	(9,513)	(9,054)
c) Commissions and sharing in ceded and retroceded reinsurance	654	510	103,722	94,903	104,376	95,413
5. Sharing in losses of companies recorded by the equity method					0	0
6. Expenses from investments	(2,863)	(3,133)	(20,696)	(18,415)	(23,559)	(21,548)
a) From operations	(2,084)	(1,589)	(15,179)	(12,376)	(17,263)	(13,965)
b) From equity and financial accounts	(779)	(1,544)	(5,517)	(6,039)	(6,296)	(7,583)
7. Unrealised losses in investments on account of life policy holders bearing the investment risk						
8. Other technical expenses	(684)	(679)	0	(9)	(684)	(688)
9. Other non-technical expenses	(1,544)	(856)	(5,290)	(3,781)	(6,834)	(4,637)
10. Negative Forex exchange differences	(8,018)	(6,553)	(78,370)	(75,947)	(86,388)	(82,500)
11. Allocation provision for deterioration of assets			(673)			
<b>TOTAL EXPENSES</b>	<b>(116,105)</b>	<b>(89,218)</b>	<b>(933,783)</b>	<b>(833,544)</b>	<b>(1,049,888)</b>	<b>(922,762)</b>
<b>III. RESULT BEFORE TAX</b>	<b>6,434</b>	<b>11,771</b>	<b>128,460</b>	<b>103,998</b>	<b>134,894</b>	<b>115,769</b>
<b>IV. TAX ON PROFITS</b>	<b>(4,798)</b>	<b>(4,830)</b>	<b>(39,094)</b>	<b>(33,765)</b>	<b>(43,892)</b>	<b>(38,595)</b>
<b>V. RESULT AFTER TAX FROM DISCONTINUED OPERATIONS</b>			<b>(3,238)</b>		<b>(3,238)</b>	<b>0</b>
<b>V. PROFIT FOR THE YEAR</b>	<b>1,636</b>	<b>6,941</b>	<b>86,128</b>	<b>70,233</b>	<b>87,764</b>	<b>77,174</b>
1. Attributable to minority shareholders	5	(2)			5	(2)
2. Attributable to the controlling Company	1,641	6,939	86,128	70,233	87,769	77,172

Amounts in thousands of Euros



## E) FINANCIAL INFORMATION BY SEGMENTS - BREAKDOWN BY GEOGRAPHICAL SEGMENTS

### 1. Consolidated assets as at 31 december 2007 and 2006

GEOGRAPHICAL SEGMENTS	2007	2006
I SPAIN	1,040,227	828,501
II OTHER EUROPEAN COUNTRIES	833,376	860,624
III AMERICA	764,487	758,758
IV REST OF THE WORLD	241,831	212,693
<b>TOTAL ASSETS</b>	<b>2,879,921</b>	<b>2,660,576</b>

*Amounts in thousands of Euros*

### 2. Consolidated ordinary revenues for years ended 31 december 2007 and 2006

GEOGRAPHICAL SEGMENTS	2007	2006
I SPAIN	531,210	582,358
II OTHER EUROPEAN COUNTRIES	415,779	360,349
III AMERICA	520,527	375,277
IV REST OF THE WORLD	133,650	119,678
<b>TOTAL ORDINARY REVENUES</b>	<b>1,601,166</b>	<b>1,437,662</b>

*Amounts in thousands of Euros*

### Acquisitions of fixed assets and investments in years ended 31 december 2007 and 2006

GEOGRAPHICAL SEGMENTS	2007	2006
I SPAIN	203,717	93,889
II OTHER EUROPEAN COUNTRIES		119,259
III AMERICA	27,466	5,783
IV REST OF THE WORLD	6,811	9,827
<b>TOTAL ACQUISITIONS IN THE YEAR</b>	<b>237,994</b>	<b>228,758</b>

*Amounts in thousands of Euros*





Notes to the  
consolidated  
financial  
statements  
financial year  
2007

# Consolidated annual report 2007

## 1. GENERAL INFORMATION ON THE COMPANY AND ITS ACTIVITY

MAPFRE RE, Compañía de Reaseguros S.A. (hereinafter, the controlling Company) is a reinsurance company, parent of a group of subsidiaries engaged in reinsurance activities.

The controlling Company is, in turn, a subsidiary of MAPFRE, S.A. and forms part of the MAPFRE GROUP, consisting of MAPFRE, S.A. and several companies engaged in insurance, financial, securities, property and services activities.

MAPFRE, S.A. is a subsidiary of CARTERA MAPFRE, S.L., Sociedad Unipersonal (hereinafter CARTERA MAPFRE), which is 100% controlled by FUNDACIÓN MAPFRE.

The controlling Company has its headquarters located in Madrid, four branch offices and ten representative offices, with direct presence in sixteen countries. Its geographical scope includes Spain, European Union countries and third countries, mainly in Latin America, and its activity embraces all reinsurance business types and lines.

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

The consolidated annual accounts were submitted by the Board of Directors on 19 February 2008. They are expected to be approved by the General Shareholders Meeting. The Spanish legislation foresees the possibility of modifying the consolidated annual accounts in the event of not being approved by said governing body.

## 2. REPORTING CONDITIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Group's annual consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, in force on the closing date, with all companies having carried out the required standardisation adjustments.

The consolidated financial statements have been prepared under the historical cost convention, except for available-for-sale financial assets, trading financial assets and derivative financial instruments, which have been recorded at fair value.

The Group has decided to capitalise the expenses attributable to the acquisition of qualified assets, which therefore become part of the costs of said assets.

Rules and interpretations approved by the European Commission but not in force at the closing date of financial year 2007 have not been applied in advance, in particular the implementation of IFRS 8 relating to operating segments, which will become mandatory as of 1 January 2009, at which time it will be implemented by the Group. Its application will have no effect on the Group's financial position and consolidated results.

### Segment information

The controlling Company voluntarily includes in its consolidated annual accounts financial information reported by each segment, either by business activities as well as by geographical location. The main business segments are Life Reinsurance and Non-Life Reinsurance. The geographical segments are: Spain, other EU countries, America, and rest of the world.

### Changes in accounting policies, changes in estimates and errors

There has been no change in accounting policies or estimates, and no errors have been detected in the consolidated financial statements of previous years.

### Comparison of information

There are no reasons to impede the comparison of the balances and amounts of this financial year as they appear in the financial statements with those of the preceding year.

International standards approved by the European Commission in force at the closing date of the financial year have been applied in the preparation of the consolidated financial statements.

### Changes in the consolidation perimeter

Annex 1 identifies the companies and changes occurred in the consolidation perimeter of tax years 2007 and 2006, together with details on their equity and results. In addition, Annex 1 provides in detail the remaining changes occurred in the consolidation perimeter.

The overall effect of these changes on the Group's equity, financial situation and results consolidated in tax years 2007 and 2006 with respect to the preceding year is described in the annual accounts notes of the consolidated report.

During 2007, the following companies are no longer Group subsidiaries or affiliates, due to the reasons mentioned below:

a) Sale to third parties:

Mapfre Reinsurance Corporation (USA).

b) Winding-up:

Mapfre Compañía de Servicios Generales (Peru).

### Accounting judgements and estimates

In the preparation of the consolidated financial statements under IFRS, the controlling Company's Board of Directors has made judgements and estimates based on assumptions on the future and on uncertainties that basically refer to:

- Losses from deterioration of certain assets.
- The actuarial calculation of liabilities and post-employment remuneration related commitments.
- The useful life of intangible assets and tangible fixed assets.
- The fair value of certain unlisted assets.

Estimates and assumptions used are regularly reviewed and are based on the historical experience and other factors that may have been considered as more reasonable from time to time. If a change in the estimates took place in a given period, as a consequence of these reviews, its effect would apply to that period and, if applicable, to successive periods.

## 3. CONSOLIDATION

### 3.1. Subsidiaries and associated undertakings

Subsidiaries and associated undertakings included in the consolidation are detailed in the table of shareholdings forming an integral part of the consolidated annual report as Annex 1.

The configuration of companies as subsidiaries is determined by the controlling Company holding a majority of the voting rights, directly or through subsidiaries, or, even if not holding half of said rights, if the controlling Company is able to manage said companies' financial and operating policies in order to obtain profits from their activities. Subsidiaries are consolidated from the date when the Group acquires control, and are excluded from consolidation on the date when such control ceases; therefore, the results relating to the part of the financial year while said entities belonged to the Group are included in the financial statements.

Associated undertakings are those where the controlling Company exercises a significant influence, albeit they are neither controlled companies nor joint ventures.

Significant influence means the power of intervening in the investee company's decisions on financial and operating policies, however without achieving control or joint control over said policies. A significant influence is assumed to be exercised when the Company holds, either directly or indirectly through its subsidiaries, at least 20% in the investee company's voting rights.

Shareholdings in associated undertakings are consolidated by the equity method, with the value of the shareholding including the net goodwill identified on the acquisition date.

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

In order to determine whether an investee is a subsidiary or an associated undertaking, it has been considered both the potential voting rights held and liable of exercise, and the call options on shares, debt instruments convertible into shares or other instruments entailing the possibility of increasing or reducing voting rights.

Excluded from being considered as subsidiaries and associated undertakings are the investments made in investment funds and similar undertakings.

The financial statements of subsidiaries and associated undertakings used for the consolidation are those relating to the financial years closed on 31 December 2007 and 2006.

### 3.2. Translation of financial statements of foreign companies included in the consolidation

The functional and presentation currency of the MAPFRE GROUP is the Euro, therefore the balances and transactions of Group companies whose functional currency is not the Euro and that do not operate in an hyperinflationary economy are converted into Euros using the exchange rate at the balance sheet date.

The exchange differences resulting from applying the above procedure, as well as those arising from the conversion of loans and other foreign currency instruments covering investments in foreign operations, have been recorded as a separate component of assets in the "Forex translation losses/gains" account after deducting the part of said difference corresponding to minority shareholders.

Goodwill and fair value adjustments of assets and liabilities arising from the acquisition of Group companies whose currency is not the Euro are dealt with as assets and liabilities of foreign operations, being registered in the functional currency of the foreign undertaking and translating them using the exchange rate at the balance sheet date.

### ADJUSTMENTS TO THE OPENING BALANCE

The columns of adjustments to the opening balance appearing in the various tables of these notes to the annual consolidated financial statements include the changes occurred as a result of changes in the consolidation method or procedure applied, and of the application of a different exchange rate for the translation of figures corresponding to subsidiaries abroad.

Variations in the actuarial liabilities recorded on the annual accounts differ from those obtained by difference in the balance sheet balances of the present and previous financial year, as a result of the application of a different exchange rate for the translation of figures in the case of subsidiaries abroad.

## 4. EARNINGS PER SHARE AND DIVIDENDS

### 4.1. Earnings per share

The calculation of the basic earnings per share, which coincides with the diluted earnings per share, there being no dilutive potential ordinary shares, is shown below:

CONCEPT	2007	2006
Net earnings attributable to the controlling Company's shareholders (EUR 000s)	87,769	77,172
Weighted average number of outstanding ordinary shares (thousands)	72,231	72,231
<b>Basic earnings per share (Euros)</b>	<b>1.22</b>	<b>1.07</b>

## 4.2. Dividends

The following table details the controlling Company's dividends in the last two financial years:

CONCEPT	2007		2006	
	TOTAL	AMOUNT PER SHARE	TOTAL	AMOUNT PER SHARE
Interim dividend	-	-	31,781,669.92	0.44
Additional dividend	-	-	2,889,242.72	0.04
<b>Total</b>	-	-	<b>34,670,912.64</b>	<b>0.48</b>

*Figures in Euros*

Following is the liquidity statement submitted by the Board of Directors for the distribution in the financial year 2006, as follows:

CONCEPT	DATE OF INTERIM DIVIDENDS 01/12/2006
<b>CASH AVAILABLE ON THE DATE OF THE RESOLUTION</b>	<b>17,269</b>
<b>Increases in cash forecast within one year</b>	
(+) From expected current receipts	345,000
(+) From expected financial revenues	
<b>Decreases in cash forecast within one year</b>	
(-) From expected current payments	(160,000)
(-) From expected financial expenses	(180,000)
<b>Cash available within one year</b>	<b>22,269</b>

*Figures in thousand Euros*

## 5. ACCOUNTING POLICIES

The accounting policies applied in relation to the following items are shown below:

### 5.1. Intangible assets

#### GOODWILL

##### Goodwill on consolidation

Goodwill on consolidation represents the excess of the cost of acquisition over the fair value of the stake in the controlled company's equity on the acquisition date, except for acquisitions made prior to 1 January 2004, where it corresponds to the goodwill, net of amortisation, recorded pursuant to the Spanish regulations applying on said date. In the case of acquisition of participations in the controlled company from minority shareholders subsequently to the initial one, the controlling Company has decided to recognise said excess as greater goodwill on consolidation.

##### Deterioration of goodwill

After its initial recognition and allocation to a cash generating unit, its possible loss in value is assessed at least once a year. When the recoverable value of said cash generating unit is lower than its net book value, the corresponding loss in value is immediately recognised in the annual accounts, and generally no loss is recognised for individual assets not having experienced any deterioration.

**Other intangible assets**

- Intangible assets arising from an independent acquisition

Intangible assets acquired from third parties in a market transaction are measured at cost. If their useful life is finite they are amortised in accordance with the same and, if they have an indefinite useful life, they are tested for deterioration at least on an annual basis.

**5.2 Tangible fixed assets and property, plant and equipment investment**

Tangible fixed assets and property, plant and equipment investment are carried at cost less accumulated depreciation and, if applicable, accumulated deterioration of losses.

Costs incurred after the purchase are recognised as an asset only when future economic profits related to them are likely to revert to the Group and the cost of the element may be accurately determined. Other repair and maintenance expenses are debited to the annual accounts during the financial year when they are incurred.

Tangible fixed assets and property, plant and equipment investment are depreciated on a straight-line basis on the cost of acquisition of the asset less its residual value and less the value of land, based on the following periods of useful life of the different assets:

<b>GROUP OF ELEMENTS</b>	<b>YEARS</b>	<b>ANNUAL RATE</b>
Buildings and other structures	50-25	2% - 4%
Transport elements	6.25	16 %
Furniture	10	10 %
Fixtures	16.6-10	6 % - 10 %
Data processing equipment	4	25 %

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

Tangible fixed assets and property, plant and equipment investment are written off when the elements thereof are sold or when they are no longer likely to produce future economic profits deriving from their continued use. Gains or losses arising from the write-off are accounted for in the annual accounts.

**5.3 Leases****OPERATING LEASES**

Leases where the lessor retains a significant part of the risks and benefits inherent in the ownership are classified as operating leases. Payments on account of operating leases (net of any incentive received from the lessor) are debited to the consolidated annual accounts on a straight-line basis during the period of the lease.

**5.4 Financial investments****RECOGNITION**

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

**CLASSIFICATION**

Financial investments are classified into the following portfolios:

**Portfolio held to maturity**

This category includes securities with respect to which there is the intention and proven financial capacity to hold them until their maturity.



### **Portfolio available for sale**

This portfolio includes debt securities not falling under the "Portfolio held to maturity" or "Trading portfolio" and the equity instruments of entities not being controlled, associated or jointly held businesses and which have not been included in the "Trading portfolio".

### **Trading portfolio**

This portfolio includes financial assets originating or acquired with a view to their short-term realisation, forming part of a financial instruments portfolio jointly identified and managed and which, according to recent experience, may give rise to short term gains.

This portfolio also includes derivative instruments not earmarked for hedging purposes and hybrid financial assets stated at fair value.

In the case of hybrid financial assets, which simultaneously include a main contract and a financial derivative, both elements are segregated and dealt with independently for classification and valuation purposes. Exceptionally, when said segregation is not feasible, hybrid financial assets are accounted for at fair value.

### **MEASUREMENT**

On their initial recognition in the balance sheet, all financial investments forming part of the above mentioned portfolios are recognised at the fair value of the consideration delivered, plus, in the case of financial investments not classified in the "Trading Portfolio", any dealing costs directly attributable to their purchase.

After the initial recognition, financial investments are stated at fair value, without deducting any dealing cost that might be incurred on their sale or any other type of disposal, with the following exceptions:

**a)** Financial investments included in the "Portfolio Held to Maturity" not earmarked for hedging purposes, which are measured at their amortised cost using the effective interest rate method.

The effective interest rate is the restatement rate exactly matching the initial value of a financial instrument to all of its estimated cash flows for all concepts throughout its residual life.

**b)** Financial assets that are equity instruments and whose fair value may not be accurately estimated, as well as derivatives having said instruments as underlying asset and that are settled by delivery, which are measured at cost.

The fair value of financial investments is the price that would be paid for them in an organised and transparent market (trading price or market value). When said market value is not available, or when the price is not sufficiently representative, the fair value is determined by restating the future financial flows, including the redemption value, at rates equivalent to the euro interest rate swaps with an increased or decreased differential stemming from the issuer's credit worthiness and standardised according to the issuer's worthiness and the maturity period.

The fair value of the financial derivatives included in the "Trading portfolio" is taken to be their daily price on the list or the present value of future cash flows if the former is not available.

The book value of financial investments is adjusted against the annual accounts when there is objective evidence of an event having occurred that has a negative impact on its future cash flows or in the recovery of the book value. The objective evidence of the deterioration is determined on an individual basis for significant debt instruments and collectively for the groups of instruments not being individually significant.

The amount of deterioration losses is equal to the difference between their book value and the present value of their estimated future cash flows, but for listed instruments, where the present value of cash flows is taken to be their market value, provided this is sufficiently reliable and considering, in any case, the credit risk. The amount of estimated deterioration losses is recognised in the annual accounts, including, in addition, any reduction in the fair value of investments previously recognised under "Valuation adjustment reserves".

### 5.5 Deterioration of assets

At the closing of each financial year, the Group assesses if there are signs that the asset elements may have suffered a loss in value. If there are such signs, the recoverable value of the asset is estimated.

In the case of assets not being in operating conditions and of intangible assets with an indefinite useful life, the estimation of the recoverable value is made irrespectively of the existence of deterioration signs.

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

When there is an increase in the recoverable value of an asset other than goodwill, the previously recognised deterioration loss is reversed, increasing the book value of the asset up to its recoverable value. This increase never exceeds the book value net of amortisation that would be accounted for had no deterioration loss been recognised in previous years. The reversal is recognised in the annual accounts, unless the asset has been already subject to revaluation against "Valuation adjustment reserves", in which case the reversal is treated as a revaluation increase. After this reversal, the amortisation expense is adjusted in the following periods.

### 5.6 Loans

Valuation of these assets is generally made at the amortised cost, calculated in accordance with the effective interest rate method and deducting, if applicable, provisions for losses due to any perceived asset deterioration.

When there is objective evidence that a deterioration loss has been incurred, the relevant provision has been established for the amount deemed not recoverable. Said amount is equal to the difference between the book value of the asset and the present value of future cash flows, discounted at the original effective interest rate of the financial asset. The amount of the loss is recognised in the annual accounts of the year.

### 5.7 Cash

Cash consists of cash and cash equivalents.

Cash includes both cash and sight bank deposits.

Cash equivalents correspond to highly liquid short term investments that can be easily converted into fixed cash amounts subject to insignificant risks as to changes in their value and with maturities under twenty-four hours.

### 5.8 Accrual adjustments

The heading "Accrual adjustments" of the assets side basically includes fees and other acquisition expenses corresponding to accrued premiums subject to allocation to the period between the balance sheet date and the expiry of the hedge of the contracts, with such expenses being those actually borne in the period, with the limit established in the technical bases.

Similarly, the heading "Accrual adjustments" of the liabilities side includes the amounts of fees and other acquisition expenses of retroceded reinsurance that are to be allocated in subsequent years pursuant to the cover period of ceded policies.

### 5.9 Non-current assets held for sale and related liabilities

Assets held for sale, if applicable, are generally stated at the lowest of their book value and their fair value deducting sale costs, these understood as any marginal costs directly attributable to the disposal, excluding financial costs, if applicable, and the company tax related expense.

Non-current assets classified as held for sale are not subject to amortisation.

Losses for deterioration of their book value are recognised in the annual accounts. Similarly, when a recovery in value takes place, this is recognised in the annual accounts up to an amount equal to the deterioration loss previously recognised.

## 5.10 Reinsurance transactions

### A) PREMIUMS

#### Accepted and retroceded reinsurance

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

Retroceded reinsurance transactions are accounted for under the same criteria as accepted reinsurance, and pursuant to the retrocession contracts entered into.

### B) ACTUARIAL LIABILITIES

#### Accepted reinsurance

##### Provision for unearned premiums

Accepted reinsurance transactions are accounted for on the basis of the accounts received from ceding companies. When, upon closing the accounts, the ceding company's latest accounts are not available, the balance of other received accounts is considered as provisions for unearned premiums of unclosed accounts, in order not to recognise results in the recording of such accounts. Exceptionally, if these provisions of unclosed accounts are negatively affected by the recording of major claim payments, because of their being an actual loss not subject to being offset by movements of unclosed accounts, the provision is adjusted for the relevant amount.

When the latest account and report on outstanding claims are available, provisions of unclosed accounts are cancelled, allocating the corresponding provisions for unearned premiums according to the information provided by the ceding company, and accruing them on a policy by policy basis. Otherwise, the amount recorded for unearned premiums is the amount of the deposit of premiums withheld on this concept and, lastly, an overall method for the accrual of premiums may be used.

Acquisition expenses, as notified by ceding companies, are accrued under the heading of "Accrual adjustments" in the balance sheet assets, with these expenses corresponding to those actually borne in the period. When ceding companies do not notify the amounts, acquisition expenses are accrued on a risk by risk basis for facultative proportional reinsurance and overall for the rest of the proportional business.

##### Reserve for unexpired risks

This is calculated on an individual business line basis and supplements the provision for unearned premiums for the amount not showing the measurement of risks and expenses to be covered, corresponding to the covered period not elapsed at the closing date.

##### Provision for outstanding claims

Provisions for claims are allocated for the amounts notified by the ceding company or, failing this, for withheld deposits, and include complementary provisions for existing and unreported claims, as well as for deviations in existing ones, in accordance with the company's own experience.

##### Retroceded reinsurance

Retroceded reinsurance transactions and their corresponding actuarial liabilities are recorded following the same criteria as for accepted reinsurance and according to the retrocession agreements entered into.

### C) LIABILITIES ADEQUACY TEST

A reasonability test is periodically run on actuarial liabilities existing in the books in order to determine their adequacy on the basis of the projections of all future cash flows of existing contracts. Recorded provisions are adjusted against the results of the financial year if it becomes evident that they are inadequate, as a consequence of the test.

### D) CLAIMS

Claims corresponding to accepted reinsurance are accounted for on the basis of the accounts received from ceding companies, and on the basis of information gathered according to the company's own experience.

Claims corresponding to retroceded reinsurance are accounted for according to the reinsurance contracts entered into, and under the same criteria as those used for accepted reinsurance.

#### **E) DETERIORATION**

When there are signs of deterioration of losses, the general measurement principle mentioned in note "5.6 Loans" is applied.

#### **5.11 Reserves for risks and expenses**

Reserves are recognised when there is a present obligation (be it legal or implicit) resulting from a past event and a reliable estimate of the amount of the obligation may be made.

When reimbursement of all or part of a reserve is expected, the reimbursement is recognised as a separate asset.

#### **5.12 Debt**

The assessment of items included under the heading "Debt" is generally made at amortised cost, using the effective interest rate method.

In the case of debt with maturity beyond one year, if the parties have not expressly agreed the applicable interest rate, debts are discounted taking as implicit financial interest that in force in the market for public debt instruments with an identical or similar term to the maturity of the debts, without prejudice of taking into account the relevant risk premium.

#### **5.13 General criterion on revenues and expenses**

The general principle applicable to the recognition of revenues and expenses is the accrual criterion, pursuant to which the allocation of revenues and expenses is made depending upon the actual flow of goods and services represented by them, irrespectively of the date of the monetary or financial flow deriving from them.

#### **5.14 Staff remuneration**

Staff remuneration may be on a short-term basis, post-employment benefits, dismissal compensation and other long-term remuneration.

#### **A) SHORT-TERM REMUNERATION**

This is recorded according to services provided by employees, on an accrual basis.

#### **B) POST-EMPLOYMENT BENEFITS**

It essentially consists of defined benefit and contribution schemes.

#### **Defined benefit schemes**

These are post-employment benefit schemes different from the defined contribution schemes.

The liability recognised in the balance sheet in relation to defined benefit pension schemes is equal to the present value of the defined benefit obligation on the balance sheet date, deducting, if applicable, the fair value of the assets earmarked to the plan.

The obligation on defined benefits is determined separately for each scheme, using the projected credit unit method.

Arising actuarial losses and gains are debited or credited to the annual accounts in the financial year in which they take place.

### **Defined contribution schemes**

These are post-employment benefit schemes, in which the entity involved makes pre-determined contributions to a separate entity (whether connected or outside to the Group) and has no legal or implicit obligation of making additional contributions, should there be an insufficiency of assets to honour the payment of benefits. Therefore, the obligation solely consists of making the contribution that is agreed to a fund, and the amount of benefits to be received by employees is determined by the contributions made plus the return obtained on the investments where the fund is materialised.

### **C) DISMISSAL COMPENSATION**

Dismissal compensation is recognised as a liability and as an expense when there is a provable intention of terminating employment before the normal retirement date of a given number of employees, or when there is an offer to encourage the voluntary termination of employment agreements.

### **D) SHARE-BASED PAYMENTS**

In financial year 2007, the MAPFRE Group has granted some Group executives an incentive plan that is pegged to MAPFRE, S.A.'s share value.

At the initial date when it is awarded, the mentioned plan is valued according to an option valuation method. The allocation of the valuation to results is made to the personnel expenses item during the period of time set as permanence of employment requirement for its exercise, and a liability in favour of the employee is recognised contra item.

Every year, a re-estimate will be made of the initial valuation, recognising in the year's results the portion corresponding to such year and the portion arising from said re-estimate corresponding to previous years.

### **E) OTHER LONG-TERM REMUNERATION**

The accounting record of other long-term remuneration other than that described in the preceding paragraphs follows the above mentioned principles, except for the cost of past service, which is recognised immediately.

## **5.15 Investment revenues and expenses**

Investment revenues and expenses are classified between operations and equity according to the source of the same, be they earmarked to cover actuarial liabilities or materialising shareholders' equity, respectively.

Revenues and expenses from financial investments are accounted for depending upon the portfolio in which they are classified, pursuant to the following criteria:

### **A) TRADING PORTFOLIO**

Changes in fair value are directly accounted for in the annual accounts, differentiating the portion attributable to yields, which is recorded as interest or, if applicable, as dividends, and the portion that is recorded as carried-out and not carried-out results.

### **B) PORTFOLIO HELD TO MATURITY**

Changes in fair value are recognised when the financial instrument is written off in the balance sheet and in case of deterioration.

### **C) PORTFOLIO AVAILABLE FOR SALE**

Changes in fair value are recognised directly in the company's equity until the financial asset is written off, at which time they are recorded in the annual accounts.

In all cases, interest from financial instruments is calculated by the effective interest rate method.

### 5.16 Reclassification of expenses by final nature and allocation to activity segments

The criteria followed for the reclassification of expenses according to their final nature are mainly based on the duties performed by each employee, with their direct and indirect cost being distributed pursuant to said duties.

Individual studies are carried out as regards expenses not directly or indirectly related to personnel, allocated to uses in accordance with the duties discharged by said expenses.

The established destinations are as follows:

- Expenses to be allocated to benefits.
- Expenses to be allocated to investments.
- Other technical expenses.
- Other non-technical expenses.
- Acquisition expenses.
- Administration expenses.

Expenses have been allocated to the following segments, depending on the business source:

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

### 5.17 Transactions and balances in foreign currencies

Except for reinsurance transactions, transactions in foreign currencies are translated into Euros at the exchange rate prevailing on the transaction date.

Reinsurance transactions in foreign currencies are recorded at the exchange rate fixed at the beginning of each quarter in the year. Later on, upon the closing of each quarter, they are all dealt with as a single transaction, translating the amount at the exchange rate prevailing on that date and recording the difference created in the consolidated annual accounts.

At the closing date, existing balances stated in foreign currencies are translated at the exchange rate of the Euro prevailing on that date, with all exchange differences being taken to the annual accounts, except those directly allocated to "Forex translation losses/gains", which are those arising from the monetary items that form part of the net investment in business overseas and from the non-monetary ones stated at fair value, where changes in valuation are directly recognised in equity.

### 5.18 Company tax

Company tax that is considered as an expense in the year is recorded as such in the consolidated annual accounts, and includes both the tax charge for the current tax and the effect corresponding to the movement of deferred tax.

For its determination, the liability method based on the balance sheet is used, according to which the relevant deferred tax assets and liabilities are recorded as may be necessary to correct the effect of temporary differences, which are the differences existing between the book value of an asset or a liability and that representing its tax valuation.

Likewise, long term deferred assets and liabilities have been measured according to the rates that will be applicable in the financial years when the assets are expected to be realised or the liabilities expected to be paid.

Temporary differences may be "Taxable temporary differences", which give rise to a higher amount of taxes payable in the future and which generally entail the recognition of a deferred tax liability, or "Deductible temporary differences", which give rise to a lower amount of taxes payable in the future and to the extent they may be recoverable when recording a deferred tax asset.

On the other hand, company tax related to items where modifications in valuation are directly recognised in equity are not allocated to the consolidated annual accounts, but to equity, with the valuation changes being recorded in said items, net of the tax impact.

## 6. BREAKDOWN OF THE CONSOLIDATED REPORT

### 6.1 Intangible assets

The following tables detail the movement of this heading in the last two financial years:

<b>Financial year 2007</b>						
ITEMS	OPENING BALANCE 2007	ADJUSTMENT TO OPENING BALANCE	CHANGES IN PERIMETER	INPUT OR ENDOWMENT	OUTPUT, WRITE-OFF OR REDUCTION	CLOSING BALANCE 2007
GOODWILL						
OTHER INTANGIBLE ASSETS	3,008	101	(212)	1,113	(42)	3,968
Computer software	3,008	101	(212)	1,113	(42)	3,968
Other						
<b>COST</b>	<b>3,008</b>	<b>101</b>	<b>(212)</b>	<b>1,113</b>	<b>(42)</b>	<b>3,968</b>
ACCUMULATED AMORTISATION						
OTHER INTANGIBLE ASSETS						
Computer software	(1,178)	(1)	166	(688)	30	(1,671)
Other						
<b>ACCUMULATED AMORTISATION</b>	<b>(1,178)</b>	<b>(1)</b>	<b>166</b>	<b>(688)</b>	<b>30</b>	<b>(1,671)</b>
DETERIORATION						
GOODWILL						
OTHER INTANGIBLE ASSETS						
Computer software						
Other						
DETERIORATION						
SUB-TOTAL OTHER INTANGIBLE ASSETS	1,830	100	(46)	425	(12)	2,297
TOTAL NET INTANGIBLE ASSETS	1,830	100	(46)	425	(12)	2,297

Figures in thousand Euros

Changes in the perimeter are due to the sale of Mapfre Reinsurance Corporation (USA).

**Financial year 2006**

ITEMS	OPENING BALANCE 2006	ADJUSTMENT TO OPENING BALANCE	CHANGES IN PERIMETER	INPUT OR ENDOWMENT	OUTPUT, WRITE-OFF OR REDUCTION	CLOSING BALANCE 2006
GOODWILL	1,646				(1,646)	
OTHER INTANGIBLE ASSETS						
Computer software	1,820	(37)		1,227	(2)	3,008
Other						
<b>COST</b>	<b>3,466</b>	<b>(37)</b>		<b>1,227</b>	<b>(2)</b>	<b>3,008</b>
ACCUMULATED AMORTISATION						
OTHER INTANGIBLE ASSETS						
Computer software	(965)	13		(228)	2	(1,178)
Other						
<b>ACCUMULATED AMORTISATION</b>	<b>(965)</b>	<b>13</b>		<b>(228)</b>	<b>2</b>	<b>(1,178)</b>
DETERIORATION						
GOODWILL						
OTHER INTANGIBLE ASSETS						
Computer software						
Other						
DETERIORATION						
SUB-TOTAL OTHER INTANGIBLE ASSETS	855	(24)		999		1,830
TOTAL NET INTANGIBLE ASSETS	2,501	(24)		999	(1,646)	1,830

Figures in thousand Euros

A breakdown is given below of the useful life and amortisation rates used for the following intangible assets, having adopted in all cases the straight-line method of amortisation.

GROUP OF ELEMENTS	USEFUL LIFE (YEARS)	AMORTISATION RATE (ANNUAL)
Computer software	4	25%

Fully amortised elements amount to EUR 0.78 million in 2007 and EUR 0.68 million in 2006.

The amortisation of intangible assets with finite useful life has been recorded in the expenses account "Amortisation allowances".

**CASH GENERATING UNITS**

The following table provides detailed information on the cash generating units to which the different goodwill items are allocated, as well as their book value and, if applicable, the deterioration amount over the last two years.

**Financial year 2006**

CONCEPT	CASH GENERATING UNIT	DETERIORATION IN YEAR 2006			
		BALANCE 31/12/05	ADJUSTMENT TO OPENING BALANCE	DETERIORATION IN THE YEAR	BALANCE 31/12/06
A) Goodwill on consolidation by Global Integration					
MAPFRE RE HOLDINGS INC.	MAPFRE REINSURANCE CO.	1,646	-	(1,646)	-

Figures in thousand Euross



The book value, net of any deterioration, of each of the above described goodwill items is, in all cases, equal to or lower than the amount recoverable from the cash generating unit to which they are allocated, which has been determined according to its use value, calculated on the basis of cash flow projections.

The discount rate applied to said projections is based on the interest rates of the geographical market where each cash generating unit operates, to which a risk premium has been added according to the unit's type of activity. The risk-free interest rate used in the projections was 5.18% in 2006.

Projections corresponding to the first three years take into account the flows' growth rates based on historical experience, whereas constant flows are considered for the following years.

The deterioration loss of EUR 1.65 million represents the recognition of the recorded difference between the book value and the recoverable amount of the cash generating unit Mapfre Holdings Inc., as detected in the assessment of the recoverable amount made on the basis of fair value. The discontinuation of activity of MAPFRE RE HOLDINGS was the main cause resulting in the loss of value.

## 6.2 Tangible fixed assets and property, plant and equipment investment

### TANGIBLE FIXED ASSETS

The following tables detail the movement of this heading in the 2007 and 2006 financial years.

#### Financial year 2007

ITEMS	OPENING BALANCE 2007	ADJUSTMENT TO OPENING BALANCE	CHANGES IN PERIMETER	INPUT OR ENDOWMENT	OUTPUT, WRITE- OFF OR REDUCTION	CLOSING BALANCE 2007	MARKET VALUE
<b>COST</b>							
<b>PROPERTY FOR OWN USE</b>	<b>36,793</b>	<b>13</b>				<b>36,806</b>	<b>39,762</b>
Land and natural resources	18,538	4				18,542	18,542
Buildings and other structures	18,255	9				18,264	21,220
<b>OTHER TANGIBLE FIXED ASSETS</b>	<b>6,247</b>	<b>(43)</b>	<b>(432)</b>	<b>395</b>	<b>(227)</b>	<b>5,940</b>	<b>1,605</b>
Transport elements	708	(2)	(89)	72	(128)	561	272
Furniture and fixtures	3,343	(35)	(194)	90	(30)	3,174	775
Other tangible fixed assets	2,159	(6)	(149)	233	(32)	2,205	558
Advances and fixed assets in progress	37				(37)	-	-
<b>TOTAL COST</b>	<b>43,040</b>	<b>(30)</b>	<b>(432)</b>	<b>395</b>	<b>(227)</b>	<b>42,746</b>	<b>41,366</b>
<b>ACCUMULATED DEPRECIATION</b>							
<b>PROPERTY FOR OWN USE</b>							
Land and natural resources	(2,120)	104		(353)		(2,369)	
Buildings and other structures	(4,340)	45	366	(521)	115	(4,335)	
<b>OTHER TANGIBLE FIXED ASSETS</b>	<b>(6,460)</b>	<b>149</b>	<b>366</b>	<b>(874)</b>	<b>115</b>	<b>(6,704)</b>	
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<b>(6,460)</b>	<b>149</b>	<b>366</b>	<b>(874)</b>	<b>115</b>	<b>(6,704)</b>	
<b>DETERIORATION</b>							
<b>PROPERTY FOR OWN USE</b>							
Land and natural resources							
Buildings and other structures							
<b>OTHER TANGIBLE FIXED ASSETS</b>							
Transport elements							
Furniture and fixtures							
Other tangible fixed assets							
Advances and fixed assets in progress							
<b>TOTAL DETERIORATION</b>							
<b>TOTAL PROPERTY FOR OWN USE</b>	<b>34,673</b>	<b>117</b>		<b>(353)</b>		<b>34,437</b>	<b>39,762</b>
<b>TOTAL OTHER TANGIBLE FIXED ASSETS</b>	<b>1,907</b>	<b>2</b>	<b>(66)</b>	<b>(126)</b>	<b>(112)</b>	<b>1,605</b>	<b>1,605</b>

Figures in thousand Euros

Changes in the perimeter are due to the sale of Mapfre Reinsurance Corporation (USA).

**Financial year 2006**

ITEMS	OPENING BALANCE 2006	ADJUSTMENT TO OPENING BALANCE	CHANGES IN PERIMETER	INPUT OR ENDOWMENT	OUTPUT, WRITE- OFF OR REDUCTION	CLOSING BALANCE 2006	MARKET VALUE
<b>COST</b>							
<b>PROPERTY FOR OWN USE</b>	<b>36,954</b>	<b>(161)</b>				<b>36,793</b>	<b>42,107</b>
Land and natural resources	18,554	(16)				18,538	18,538
Buildings and other structures	18,400	(145)				18,255	23,569
<b>OTHER TANGIBLE FIXED ASSETS</b>	<b>5,963</b>	<b>(259)</b>		<b>714</b>	<b>(171)</b>	<b>6,247</b>	<b>1,854</b>
Transport elements	726	(33)		184	(169)	708	311
Furniture and fixtures	3,319	(171)		196	(1)	3,343	934
Other tangible fixed assets	1,902	(55)		313	(1)	2,159	572
Advances and fixed assets in progress	16			21		37	37
<b>TOTAL COST</b>	<b>42,917</b>	<b>(420)</b>		<b>714</b>	<b>(171)</b>	<b>43,040</b>	<b>43,961</b>
<b>ACCUMULATED DEPRECIATION</b>							
<b>PROPERTY FOR OWN USE</b>	<b>(1,770)</b>			<b>(350)</b>		<b>(2,120)</b>	
<b>OTHER TANGIBLE FIXED ASSETS</b>	<b>(4,162)</b>	<b>190</b>		<b>(463)</b>	<b>95</b>	<b>(4,340)</b>	
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<b>(5,932)</b>	<b>190</b>		<b>(813)</b>	<b>95</b>	<b>(6,460)</b>	
<b>DETERIORATION</b>							
<b>PROPERTY FOR OWN USE</b>							
Land and natural resources							
Buildings and other structures							
<b>OTHER TANGIBLE FIXED ASSETS</b>							
Transport elements							
Furniture and fixtures							
Other tangible fixed assets							
Advances and fixed assets in progress							
<b>TOTAL DETERIORATION</b>							
<b>TOTAL PROPERTY FOR OWN USE</b>	<b>35,184</b>	<b>(161)</b>		<b>(350)</b>		<b>34,673</b>	<b>42,107</b>
<b>TOTAL OTHER TANGIBLE FIXED ASSETS</b>	<b>1,801</b>	<b>(69)</b>		<b>251</b>	<b>(76)</b>	<b>1,907</b>	<b>1,854</b>

Figures in thousand of Euros

**ADDITIONAL INFORMATION**

The fully depreciated cost of tangible fixed assets at 31 December 2007 and 31 December 2006 amounts to EUR 1.21 million and EUR 1.02 million, respectively.

**PROPERTY, PLANT AND EQUIPMENT INVESTMENT**

The following tables detail the movement of this heading in financial years 2007 and 2006:

**Financial year 2007**

ITEMS	OPENING BALANCE 2007	ADJUSTMENT TO OPENING BALANCE	CHANGES IN PERIMETER	INPUT OR ENDOWMENT	DISPOSALS, CANCELLATIONS OR REDUCTIONS	TRANSFERS	CLOSING BALANCE 2007	MARKET VALUE
<b>COST</b>								
PROPERTY, PLANT AND EQUIPMENT INVESTMENT	41,661	261	(288)		(4,037)		37,597	32,113
Land and natural resources	9,936	314	(3)		(138)		10,109	10,109
Buildings and other structures	31,725	(53)	(285)		(3,899)		27,488	22,004
OTHER PROPERTY, PLANT AND EQUIPMENT INVESTMENT								
ADVANCES AND TANGIBLE INVESTMENTS IN PROGRESS								
<b>TOTAL COST</b>	<b>41,661</b>	<b>261</b>	<b>(288)</b>		<b>(4,037)</b>		<b>37,597</b>	<b>32,113</b>
<b>ACCUMULATED DEPRECIATION</b>								
PROPERTY, PLANT AND EQUIPMENT INVESTMENT	(6,409)	232	71	(429)	419		(6,116)	
OTHER PROPERTY INVESTMENTS								
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<b>(6,409)</b>	<b>232</b>	<b>71</b>	<b>(429)</b>	<b>419</b>		<b>(6,116)</b>	
<b>DETERIORATION</b>								
PROPERTY, PLANT AND EQUIPMENT INVESTMENT	(69)				38		(31)	
Land and natural resources	(38)				38			
Buildings and other structures	(31)						(31)	
OTHER PROPERTY, PLANT AND EQUIPMENT INVESTMENT								
<b>TOTAL DETERIORATION</b>	<b>(69)</b>				<b>38</b>		<b>(31)</b>	
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT INVESTMENT</b>	<b>35,183</b>	<b>493</b>	<b>(217)</b>	<b>(429)</b>	<b>(3,580)</b>		<b>31,450</b>	<b>32,113</b>

Figures in thousand of Euros

Changes in perimeter are due to the sale of Mapfre Reinsurance Corporation (USA).

The amount of EUR 3,899 thousand shown under "Output" for the item "Buildings and other structures" is due to realisations made by Inversiones Ibéricas and Inversiones Mapfre Re.

**Financial year 2006**

ITEMS	OPENING BALANCE 2007	ADJUSTMENT TO OPENING BALANCE	CHANGES IN PERIMETER	INPUT OR ENDOWMENT	DISPOSALS, CANCELLATIONS OR REDUCTIONS	TRANSFERS	CLOSING BALANCE 2007	MARKET VALUE
<b>COST</b>								
<b>PROPERTY, PLANT AND EQUIPMENT INVESTMENT</b>	46,290	(4,470)			(159)		41,661	36,814
Land and natural resources	11,234	(1,298)					9,936	9,985
Buildings and other structures	35,056	(3,172)			(159)		31,725	26,829
OTHER PROPERTY, PLANT AND EQUIPMENT INVESTMENT								
ADVANCES AND TANGIBLE INVESTMENTS IN PROGRESS								
<b>TOTAL COST</b>	46,290	(4,470)			(159)		41,661	36,814
<b>ACCUMULATED DEPRECIATION</b>								
<b>PROPERTY, PLANT AND EQUIPMENT INVESTMENT</b>	(6,489)	130		(209)	159		(6,409)	
OTHER PROPERTY INVESTMENTS								
<b>TOTAL ACCUMULATED DEPRECIATION</b>	(6,489)	130		(209)	159		(6,409)	
<b>DETERIORATION</b>								
<b>PROPERTY, PLANT AND EQUIPMENT INVESTMENT</b>	(76)	7					(69)	
Land and natural resources	(42)	4					(38)	
Buildings and other structures	(34)	3					(31)	
OTHER PROPERTY, PLANT AND EQUIPMENT INVESTMENT								
<b>TOTAL DETERIORATION</b>	(76)	7					(69)	
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT INVESTMENT</b>	39,725	(4,333)		(209)			35,183	36,814

Figures in thousand of Euros

The market value of property, plant and equipment investment is in line with the appraisal value determined by the Spanish Directorate General for Insurance and Pension Funds, or an authorised independent appraiser, over the last three years.

Revenues and expenses from leases arising from property, plant and equipment investment in financial years 2007 and 2006 are detailed in the following table.

CONCEPT	INVESTMENTS FROM					
	OPERATIONS		EQUITY		TOTAL	
	2007	2006	2007	2006	2007	2006
<b>Revenues from property, plant and equipment investment</b>						
From leases	2,473	2,383	112	149	2,585	2,532
Gains on disposals		-	1,530	-	1,530	-
<b>TOTAL REVENUES FROM PROPERTY, PLANT AND EQUIPMENT INVESTMENT</b>	2,473	2,383	1,642	149	4,115	2,532
<b>Expenses from property, plant and equipment investment</b>						
Direct operating expenses	(693)	(660)		(66)	(693)	(726)
Other expenses	(312)	(317)	-	-	(312)	(317)
<b>TOTAL EXPENSES FROM PROPERTY, PLANT AND EQUIPMENT INVESTMENT</b>	(1,005)	(977)	-	(66)	(1,005)	(1,043)

Figures in thousand of Euros

### 6.3 Leases

The Group has leased the following elements by means of operating lease contracts:

#### Financial Year 2007

ASSET TYPE	NET BOOK VALUE	DURATION OF CONTRACT	YEARS ELAPSED
Property Belgium	4,768	10	5
Property Chile	26,644	1	Annual rollover
Properties Colombia	38	1	Annual rollover
<b>TOTAL</b>	<b>31,450</b>		

Figures in thousand of Euros

#### Financial Year 2006

ASSET TYPE	NET BOOK VALUE	DURATION OF CONTRACT	YEARS ELAPSED
Property Belgium	5,017	9	4
Property Chile	29,228	1	Annual rollover
Properties Colombia	938	13	Annual rollover
<b>TOTAL</b>	<b>35,183</b>		

Figures in thousand of Euros

At 31 December of the last two years, minimum future receivables on account of operating lease agreements not liable of cancellation are as follows:

CONCEPT	MINIMUM COLLECTIONS 2007	MINIMUM COLLECTIONS 2006
Under one year	2,760	3,234
Over one year but under five years	12,832	14,678
More than five years	-	101
<b>TOTAL</b>	<b>15,592</b>	<b>18,013</b>

Figures in thousand of Euros

### 6.4 Financial investments

At 31 December 2007 and 2006, the breakdown of financial investments is as follows:

CONCEPT	BOOK VALUE	
	YEAR 2007	YEAR 2006
<b>PORTFOLIO HELD TO MATURITY</b>		
Fixed income		
Other investment	178,919	121,682
<b>TOTAL PORTFOLIO HELD TO MATURITY</b>	<b>178,919</b>	<b>121,682</b>
<b>PORTFOLIO AVAILABLE FOR SALE</b>		
Shares	155,918	123,942
Fixed income	1,199,272	1,101,187
Investment funds	63,263	30,326
Other		52
<b>TOTAL PORTFOLIO AVAILABLE FOR SALE</b>	<b>1,418,453</b>	<b>1,255,507</b>
<b>TRADING PORTFOLIO</b>		
Other investment		
Shares	30	93
Fixed income		
Investment funds	17,037	48,909
Other	12,655	15,356
<b>TOTAL TRADING PORTFOLIO</b>	<b>29,722</b>	<b>64,358</b>

Figures in thousand of Euros

**A) PORTFOLIO HELD TO MATURITY**

A breakdown is given below of investment earmarked to the portfolio held to maturity, at 31 December 2007 and 2006.

2007 CONCEPT	BOOK VALUE (AMORTISED COST)	FAIR VALUE	INTEREST REVENUES	DETERIORATION	
				RECORDED LOSS	REVERSAL PROFIT
Fixed income					
Other investment	178,919	178,919	5,808	-	-
<b>TOTAL CARTERA A VENCIMIENTO</b>	<b>178,919</b>	<b>178,919</b>	<b>5,808</b>	<b>-</b>	<b>-</b>

*Figures in thousand of Euros*

2006 CONCEPT	BOOK VALUE (AMORTISED COST)	FAIR VALUE	INTEREST REVENUES	DETERIORATION	
				RECORDED LOSS	REVERSAL PROFIT
Fixed income					
Other investment	121,682	121,682	6,768	-	-
<b>TOTAL CARTERA A VENCIMIENTO</b>	<b>121,682</b>	<b>121,682</b>	<b>6,768</b>	<b>-</b>	<b>-</b>

*Figures in thousand of Euros*

**B) PORTFOLIO AVAILABLE FOR SALE**

A breakdown is given below of investment earmarked to the portfolio available for sale, at 31 December 2007 and 2006.

2007 CONCEPT	BOOK VALUE (FAIR VALUE)	DETERIORATION	
		RECORDED LOSS	REVERSAL PROFIT
Shares	155,918	-	-
Fixed income	1,199,272	-	-
Investment funds	63,263	-	-
Other		-	-
<b>TOTAL PORTFOLIO AVAILABLE FOR SALE</b>	<b>1,418,453</b>	<b>-</b>	<b>-</b>

*Figures in thousand of Euros*

2006 CONCEPT	BOOK VALUE (FAIR VALUE)	DETERIORATION	
		RECORDED LOSS	REVERSAL PROFIT
Shares	123,942	-	-
Fixed income	1,101,187	-	-
Investment funds	30,326	-	-
Other	52	-	-
<b>TOTAL PORTFOLIO AVAILABLE FOR SALE</b>	<b>1,255,507</b>	<b>-</b>	<b>-</b>

*Figures in thousand of Euros*

Valuation adjustments in the portfolio investments amount to EUR 25.52 million and EUR 32.84 million Euros at 31 December 2007 and 2006, respectively, which have been recorded in equity net of the tax impact.

Transfers to the annual accounts of valuation adjustments of portfolio investments in previous financial years, carried out during financial years 2007 and 2006, amount net to EUR 12.43 million and EUR 0.83 million, respectively.

### C) TRADING PORTFOLIO

Investments allocated to the trading portfolio at 31 December 2006 and 2007 are detailed below.

#### 2007

CONCEPT	BOOK VALUE (FAIR VALUE)	GAINS	LOSSES
Shares	30	3	-
Fixed income	-	-	-
Investment funds	17,037	1,204	-
Other	12,655	991	-
<b>TOTAL TRADING PORTFOLIO</b>	<b>29,722</b>	<b>2,198</b>	<b>-</b>

Figures in thousand of Euros

#### 2006

CONCEPT	BOOK VALUE (FAIR VALUE)	GAINS	LOSSES
Shares	93	2	-
Fixed income	-	-	-
Investment funds	48,909	1,456	-
Other	15,356	1,148	-
<b>TOTAL TRADING PORTFOLIO</b>	<b>64,358</b>	<b>2,606</b>	<b>-</b>

Figures in thousand of Euros

Gains and losses in the trading portfolio are recorded in the annual accounts. The relevant information is included in Note 6.15 "Investment revenues and expenses".

### D) OTHER INVESTMENT

The breakdown of "Other investment" for years 2006 and 2007 is shown in the following tables:

#### 2007

CONCEPT	BOOK VALUE	PROVISION	NET BALANCE	MARKET VALUE
Group companies	2,993	(2,892)	101	101
Other investment	389	-	389	389
<b>TOTAL</b>	<b>3,382</b>	<b>(2,892)</b>	<b>490</b>	<b>490</b>

Figures in thousand of Euros

#### 2006

CONCEPT	BOOK VALUE	PROVISION	NET BALANCE	VALOR DE MERCADO
Group companies	3,082	(2,996)	86	86
Other investment	388	-	388	389
<b>TOTAL</b>	<b>3,470</b>	<b>(2,996)</b>	<b>474</b>	<b>474</b>

Figures in thousand of Euros

## 6.5 Loans

The following tables show the composition of loans at 31 December 2007 and 2006; they also show the deterioration losses and reversal profit thereof recorded in the last two financial years:

### Financial year 2007

CONCEPT	BALANCE AT 31/12/2007					
	GROSS AMOUNT	PROVISION FOR DETERIORATION (-)	NET BALANCE IN BALANCE SHEET	RECORDED LOSSES	REVERSAL PROFIT	GUARANTEES RECEIVED
Loans on reinsurance transactions	162,323	(1,845)	160,478	(673)		
Tax loans	7,185		7,185			
Corporate and other loans	8,576		8,576			
<b>TOTAL LOANS</b>	<b>170,084</b>	<b>(1,845)</b>	<b>176,239</b>	<b>(673)</b>		

*Figures in thousand of Euros*

### Financial year 2006

CONCEPT	BALANCE AT 31/12/2006					
	GROSS AMOUNT	PROVISION FOR DETERIORATION (-)	NET BALANCE IN BALANCE SHEET	RECORDED LOSSES	REVERSAL PROFIT	GUARANTEES RECEIVED
Loans on reinsurance transactions	148,501	(1,248)	147,253	(6)	9	-
Tax loans	3,517		3,517			
Corporate and other loans	15,370		15,370			
<b>TOTAL LOANS</b>	<b>167,388</b>	<b>(1,248)</b>	<b>166,140</b>	<b>(6)</b>	<b>9</b>	

*Figures in thousand of Euros*

The balances included under the loans heading do not accrue interest and, generally, settlement occurs in the following year.



## 6.6 Deterioration of assets

The following tables detail the asset deterioration over the last two financial years.

### Financial Year 2007

DETERIORATION IN	OPENING BALANCE	ADJUSTMENT TO OPENING BALANCE	CHANGES IN PERIMETER	RECORDING IN RESULTS		DIRECT RECORDING IN EQUITY		CLOSING BALANCE
				ALLOWANCE	REDUCTION	ALLOWANCE	REDUCTION	
<b>INTANGIBLE ASSETS</b>								
I. Goodwill								
II. Other intangible assets								
<b>TANGIBLE FIXED ASSETS</b>								
I. Property for own use								
II. Other tangible fixed assets								
<b>INVESTMENTS</b>								
I. PROPERTY, PLANT AND EQUIPMENT INVESTMENT	(69)				38			(31)
II. Financial investments								
- Portfolio held to maturity								
- Portfolio available for sale								
- Trading portfolio								
III. Investments recorded by the equity method								
IV. Deposits established for accepted reinsurance								
V. Other investment	(2,996)	74			30			(2,892)
<b>LOANS</b>								
I. Loans on direct insurance and coinsurance transactions								
II. Loans on reinsurance transactions	(1,248)	76		(673)				(1,845)
III. Tax loans								
IV. Corporate and other loans								
V. Called subscribed capital receivable								
<b>OTHER ASSETS</b>								
<b>TOTAL DETERIORATION</b>	<b>(4,313)</b>	<b>150</b>		<b>(673)</b>	<b>68</b>			<b>(4,768)</b>

Figures in thousand of Euros

Financial Year 2006	OPENING BALANCE	ADJUSTMENT TO OPENING BALANCE	CHANGES IN PERIMETER	RECORDING IN RESULTS		DIRECT RECORDING IN EQUITY		CLOSING BALANCE
				ALLOWANCE	REDUCTION	ALLOWANCE	REDUCTION	
<b>DETERIORATION IN</b>								
<b>INTANGIBLE ASSETS</b>								
I. Goodwill								
II. Other intangible assets								
<b>TANGIBLE FIXED ASSETS</b>								
I. Property for own use								
II. Other tangible fixed assets								
<b>INVESTMENTS</b>								
I. PROPERTY, PLANT AND EQUIPMENT INVESTMENT	(76)	7						(69)
II. Financial investments								
- Portfolio held to maturity								
- Portfolio available for sale								
- Trading portfolio								
III. Investments recorded by the equity method								
IV. Deposits established for accepted reinsurance								
V. Other investment	(2,928)			(68)				(2,996)
<b>LOANS</b>								
I. Loans on direct insurance and coinsurance transactions								
II. Loans on reinsurance transactions	(1,252)	1		(6)	9			(1,248)
III. Tax loans								
IV. Corporate and other loans								
V. Called subscribed capital receivable								
<b>OTHER ASSETS</b>								
<b>TOTAL DETERIORATION</b>	<b>(4,256)</b>	<b>8</b>		<b>(74)</b>	<b>9</b>			<b>(4,313)</b>

Figures in thousand of Euros

## 6.7 Cash

During 2007, disposals were made of investments in Group companies, amounting to EUR 22.41 million, arising from the sale of Mapfre Reinsurance Corporation.

The fair values of the identifiable assets and liabilities of Mapfre Reinsurance Corporation on the date of sale were as follows:

CONCEPT	100%
<b>ASSETS</b>	
Investments	20,528
Loans	1,071
Cash	5,343
Accrual adjustments	3,274
<b>TOTAL ASSETS</b>	<b>30,216</b>
<b>LIABILITIES</b>	
Debts	9,426
<b>TOTAL LIABILITIES</b>	<b>9,426</b>
Fair value of net assets	
<b>TOTAL REALISATION</b>	<b>21,790</b>

Figures in thousand of Euros

There are no significant non-monetary transactions, related to investment and funding activities, excluded from the cash flow statements.

### 6.8 Non-current assets held for sale and discontinued operations

The main types of non-current assets held for sale at 31 December 2007 and 31 December 2006 are shown in the following table:

<b>ASSETS</b>	<b>31/12/2007</b>	<b>31/12/2006</b>
<b>ASSETS</b>	-	
Tangible fixed assets	-	148
<b>TOTAL FIXED ASSETS HELD FOR SALE</b>	-	<b>148</b>

*Figures in thousand of Euros*

The assets included in the preceding table corresponding to the fiscal year and to 2006 are presented under the activity segments of Life Reinsurance for the last two years.

The reason for these assets being classified as non-current assets held for sale and at 31 December 2006 is that expected returns have not been obtained.

The sale of the non-current assets held for sale corresponding to 2006 was expected to take place within 12 months, with no losses expected to be incurred in said disposal.

### DISCONTINUED OPERATIONS

In the context of the restructuring carried out in the US market, virtually all Mapfre Reinsurance Corporation reinsurance business has been transferred to Mapfre Re, and the former company has been sold to MAPFRE USA, a subsidiary of Mapfre Internacional. Mapfre Reinsurance Corporation formed part of the non-life reinsurance segment and of the America geographical segment. The sale price amounted to EUR 22.41 million and it was received fully in cash. The result of said transaction amounted to a loss of EUR 3.24 million, as a consequence of the materialisation of negative translation losses/gains prior to the date of transition to IFRS. Revenues and expenses of discontinued operations have not been eliminated from the annual accounts of ongoing concerns, because said amounts are negligible and below 1% of revenues and expenses of the insurance business. For the same reason, the breakdowns required by IFRS 5 have not been made.

### 6.9 Equity

#### SHARE CAPITAL

Share capital is recorded for the nominal value of shares being fully paid or the payment which has been requested.

The controlling Company's share capital at 31 December 2007 is represented by 72,231,068 registered shares of a single class, with a nominal value of EUR 3.10 each, fully subscribed and paid. All the shares confer the same political and economic rights.

#### RESTRICTIONS ON THE AVAILABILITY OF RESERVES

The "Reserves" heading includes the legal reserve, amounting to EUR 28.32 million in 2007 and EUR 23.89 million in 2006. This reserve may not be distributed among shareholders, except in the event of winding-up of the controlling Company, and may be used only to offset potential losses.

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

#### VALUATION ADJUSTMENT RESERVES

The "Valuation adjustment reserve" includes the equity reserves arising from fair value adjustments of the different assets and liabilities that, pursuant to IFRS, must be directly recorded in the equity accounts.

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

**CAPITAL MANAGEMENT**

MAPFRE has in place an internal capitalisation and dividend policy aimed at endowing its Units, reasonably and objectively, with the capital required to cover the assumed risks. Both the estimation of risks and the allocation of capital to each one of the units are detailed in note 7 of the "RISK MANAGEMENT" report.

On the other hand, the items forming part of the Group's uncommitted equity are in line with the requirements presently in force.

The amount of the Group's solvency margin in financial years 2007 and 2006 is EUR 695.28 million and EUR 605.92 million, respectively. Both figures exceed the required minimum (i.e. EUR 223.08 million and EUR 201.25 million, respectively) by 3.1 times in financial year 2007 and by 3 times in 2006.

**6.10 Actuarial liabilities**

The following tables show the composition of the balance of each one of the actuarial liabilities recorded in the balance sheet in the last two financial years.

**Financial Year 2007**

<b>CONCEPTS</b>	<b>ACCEPTED REINSURANCE</b>	<b>RETROCEDED REINSURANCE</b>
1. Provisions for unearned premiums and for unexpired risks	913,920	332,416
1.1 Provision for unearned premiums	913,901	332,416
1.2 Provision for unexpired risks	19	
2. Provisions for life insurance	125,630	12,600
2.1 Provisions for unearned premiums and unexpired risks	77,939	12,600
2..1.1 Provision for unearned premiums	77,939	
2..1.2 Provision for unexpired risks		
2.2 Policy reserves	47,691	
3. Provisions for claims	766,271	206,507
3.1 Pending settlement or payment	766,271	206,507
<b>TOTAL</b>	<b>1,805,821</b>	<b>551,523</b>

*Figures in thousand of Euros*

**Financial Year 2006**

<b>CONCEPTS</b>	<b>ACCEPTED REINSURANCE</b>	<b>RETROCEDED REINSURANCE</b>
1. Provisions for unearned premiums and for unexpired risks		
1.1 Provision for unearned premiums	807,143	283,289
1.2 Provision for unexpired risks	126	
2. Provisions for life insurance		
2.1 Provisions for unearned premiums and unexpired risks		
2..1.1 Provision for unearned premiums	69,711	7,793
2..1.2 Provision for unexpired risks		
2.2 Policy reserves	55,494	
3. Provisions for claims		
3.1 Pending settlement or payment	723,767	234,155
<b>TOTAL</b>	<b>1,656,241</b>	<b>525,237</b>

*Figures in thousand of Euros*

The following tables show the movements of each one of the actuarial liabilities recorded in the balance sheet in the last two financial years.

### Financial Year 2007 Accepted reinsurance

CONCEPT	OPENING BALANCE	ADJUSTMENT TO OPENING BALANCE	CHANGES IN PERIMETER	ALLOCATIONS	APPLICATIONS	VARIATION	CLOSING BALANCE
I. Provision for unearned premiums/ unexpired risks	807,269	167	(25)	913,920	(807,436)	106,484	913,920
1- Provision for unearned premiums	807,143	167	(25)	913,901	(807,310)	106,591	913,901
2- Provision for unexpired risks	126			19	(126)	(107)	19
II. Provisions for life insurance	125,205	(14,575)		125,630	(110,630)	15,000	125,630
1- Provision for unearned premiums	69,711			77,939	(69,711)	8,228	77,939
2- Provision for unexpired risks							
3- Policy reserve	55,494	(14,575)		47,691	(40,919)	6,772	47,691
II. Provisions for profit sharing							
III. PROVISION FOR CLAIMS	723,767	1,344	(5,341)	766,271	(719,770)	46,501	766,271
IV. OTHER ACTUARIAL LIABILITIES							
<b>TOTAL</b>	<b>1,656,241</b>	<b>(13,064)</b>	<b>(5,366)</b>	<b>1,805,821</b>	<b>(1,637,836)</b>	<b>167,985</b>	<b>1,805,821</b>

Figures in thousand of Euros

Los cambios en el perímetro se deben a la venta de MAPFRE REINSURANCE CORPORATION (USA)

### Financial Year 2006 Accepted reinsurance

CONCEPT	OPENING BALANCE	ADJUSTMENT TO OPENING BALANCE	CHANGES IN PERIMETER	ALLOCATIONS	APPLICATIONS	VARIATION	CLOSING BALANCE
I. Provision for unearned premiums/ unexpired risks	653,227	3,201		807,269	(656,428)	150,841	807,269
1- Provision for unearned premiums	649,302	3,201		807,143	(652,503)	154,640	807,143
2- Provision for unexpired risks	3,925	-		126	(3,925)	(3,799)	126
II. Provisions for life insurance	120,987	(6,887)		125,205	(114,100)	(11,105)	125,205
1- Provision for unearned premiums	59,847	(45)		69,711	(59,802)	9,909	69,711
2- Provision for unexpired risks	-						
3- Policy reserve	61,140	(6,842)		55,494	(54,298)	1,196	55,494
II. Provisions for profit sharing							
III. PROVISION FOR CLAIMS	807,755	(14,454)		723,767	(793,301)	69,534	723,767
IV. OTHER ACTUARIAL LIABILITIES							
<b>TOTAL</b>	<b>1,581,969</b>	<b>(18,140)</b>		<b>1,656,241</b>	<b>(1,563,829)</b>	<b>92,412</b>	<b>1,656,241</b>

Figures in thousand of Euros

### Financial Year 2007 Retroceded reinsurance

CONCEPT	OPENING BALANCE	ADJUSTMENT TO OPENING BALANCE	CHANGES IN PERIMETER	ALLOCATIONS	APPLICATIONS	VARIATION	CLOSING BALANCE
Provision for unearned premiums	283,289	186		332,416	(283,289)	49,127	332,416
Provisions for Life Insurance	7,793			12,597	(7,793)	4,804	12,597
Provision for claims	234,155			206,510	(234,155)	(27,645)	206,510
Other actuarial liabilities							
<b>TOTAL</b>	<b>525,237</b>	<b>186</b>		<b>551,523</b>	<b>(525,237)</b>	<b>26,286</b>	<b>551,523</b>

Figures in thousand of Euros

**Financial Year 2006**  
**Retroceded reinsurance**

<b>CONCEPT</b>	<b>OPENING BALANCE</b>	<b>ADJUSTMENT TO OPENING BALANCE</b>	<b>CHANGES IN PERIMETER</b>	<b>ALLOCATIONS</b>	<b>APPLICATIONS</b>	<b>VARIATION</b>	<b>CLOSING BALANCE</b>
Provision for unearned premiums	226,944			283,289	(226,944)	52,404	283,289
Provisions for Life Insurance	6,191	(20)		7,813	(6,191)	1,622	7,793
Provision for claims	309,690			234,155	(309,690)	(75,535)	234,155
Other actuarial liabilities							
<b>TOTAL</b>	<b>542,825</b>	<b>(20)</b>		<b>525,257</b>	<b>(542,825)</b>	<b>(21,509)</b>	<b>525,237</b>

Figures in thousand of Euros

**Financial Year 2007**  
**Policy reserves**

<b>CONCEPTS</b>	<b>ACCEPTED REINSURANCE</b>
Policy reserve at beginning of year	55,494
Adjustment to Opening balance	(14,575)
Incorporation to perimeter (balance of reserve on incorporation date)	
Premiums	
Technical interest	
Assignment of profit sharing	
Payment/collection of claims	
Losses recognised on provision adequacy test	
Tacit accounting adjustments	
Other	6,772
Exit from perimeter (balance of reserve on exit date)	
Policy reserve at year end	47,691

Figures in thousand of Euros

**Financial Year 2006**  
**Policy reserves**

<b>CONCEPTS</b>	<b>ACCEPTED REINSURANCE</b>
Policy reserve at beginning of year	61,140
Adjustment to Opening balance	(6,842)
Incorporation to perimeter (balance of reserve on incorporation date)	
Premiums	
Technical interest	
Assignment of profit sharing	
Payment/collection of claims	
Losses recognised on provision adequacy test	
Tacit accounting adjustments	
Other	1,196
Exit from perimeter (balance of reserve on exit date)	
Policy reserve at year end	55,494

Figures in thousand of Euros

**DEVELOPMENT OF CLAIMS PER YEAR OF OCCURRENCE**

Details on the development of claims per year of occurrence in accepted reinsurance are not provided because, generally, ceding companies follow accounting methods different from the year of occurrence.

According to the studies carried out for accepted reinsurance, the degree of sufficiency of such provisions is adequate.

## 6.11 Reserves for risks and expenses

### RESERVES

The following tables detail the movements in the reserves for risks and expenses during the last two financial years.

Financial Year 2007				APPROPRIATIONS		CANCELLATIONS		CLOSING BALANCE	AMOUNT OF RECOGNISED REIMBURSEMENTS	MAXIMUM REVERSAL
ITEM	OPENING BALANCE	CHANGE IN PERIMETER	ADJUST. TO THE OPENING BALANCE	ALLOCATED PROVISIONS	INCREASED VALUE ON DISCOUNT	APPLIED PROVISIONS	REVERSED PROVISIONS			
Reserve for taxes	307	(307)	169					169		
Reserves for staff incentives	516		952	(516)				952		
Other reserves	7,147		308	(519)				6,936	6,504	
<b>TOTAL BOOK VALUE</b>	<b>7,970</b>	<b>(307)</b>	<b>1,429</b>	<b>(1,035)</b>				<b>8,057</b>		

Figures in thousand of Euros

Los cambios en el perímetro se deben a la venta de Mapfre Reinsurance Corporation (USA).

Financial Year 2006				APPROPRIATIONS		CANCELLATIONS		CLOSING BALANCE	AMOUNT OF RECOGNISED REIMBURSEMENTS	MAXIMUM REVERSAL
ITEM	OPENING BALANCE	CHANGE IN PERIMETER	ADJUST. TO THE OPENING BALANCE	ALLOCATED PROVISIONS	INCREASED VALUE ON DISCOUNT	APPLIED PROVISIONS	REVERSED PROVISIONS			
Reserve for taxes	323		(33)	17				307		
Reserves for staff incentives	458			516		(458)		516		
Other reserves	6,014			1,142		(9)		7,147	6,481	
<b>TOTAL BOOK VALUE</b>	<b>6,795</b>		<b>(33)</b>	<b>1,675</b>		<b>(467)</b>		<b>7,970</b>		

Figures in thousand of Euros

The heading "Other reserves" includes the pension related commitments of the Lisbon office, as well as obligations externalised with related parties, as detailed in note 6.19.

The reserves for risks and expenses include the estimated amounts of tax debts, payments on settlement treaties, reversal fund, restructuring, staff incentives, and others deriving from the activities of the companies forming the Group, the settlement of which will take place over the coming years. The estimation of the allocated amount or of the timeframe when the provision will be liquidated is affected by uncertainties on the resolution of filed appeals and the evolution of other parameters. The preparation of assumptions on future events in order to determine the value of the provision has not been necessary.

## 6.12 Deposits received on ceded and retroceded reinsurance

Deposits on ceded and retroceded reinsurance represent guarantees given to reinsurers depending upon the reinsurance cover contracts entered into according to usual business practices. Said deposits accrue interest to be paid ranging between 3% and 3.5% and the average rollover period is generally annual. Settlement of said interest is made quarterly.

### 6.13 Debts

The balances included in the heading of debt do not accrue any interest to be paid and, generally, their settlement is carried out in the following financial year.

### 6.14 Guarantees undertaken to third parties

The controlling Company has delivered letters of credit, as a guarantee of premium and outstanding claim reserves to official bodies, amounting to EUR 10.99 million and EUR 12.59 million in 2007 and 2006, respectively. Fixed income securities of the portfolio available for sale, amounting to EUR 174.81 million and EUR 207.94 million in 2007 and 2006, respectively, have been pledged in favour of ceding companies as guarantee for the above mentioned letters of credit.

### 6.15 Investment revenues and expenses

The detail of Investment revenues and expenses for financial years 2007 and 2006 is shown below:

CONCEPT	REVENUES FROM INVESTMENTS OF:				TOTAL	
	OPERATIONS		EQUITY		2007	2006
	2007	2006	2007	2006		
<b>INTEREST, DIVIDEND AND SIMILAR REVENUES</b>						
Property, plant and equipment investment	2,473	2,383	1,642	149	4,115	2,532
- Rentals	2,473	2,383	112	149	2,585	2,532
- Other			1,530		1,530	
Revenues from the portfolio held to maturity	5,366	6,227	442	541	5,808	6,768
- Fixed income			5		5	
- Other investment	5,366	6,227	437	541	5,803	6,768
Revenues from the portfolio available for sale	52,630	42,418	6,212	5,706	58,842	48,124
Revenues from the trading portfolio	343	2,357	24	202	367	2,559
Dividends from Group companies						
Other financial returns	8,106	8,201	2,154	3,263	10,260	11,464
<b>TOTAL REVENUES</b>	<b>68,918</b>	<b>61,586</b>	<b>10,474</b>	<b>9,861</b>	<b>79,392</b>	<b>71,447</b>
<b>REALISED AND UNREALISED GAINS</b>						
Realised gains:	19,876	4,723	2,885	819	22,761	5,542
Property, plant and equipment investment						
Financial investments portfolio held to maturity						
Financial investments portfolio available for sale	17,870	4,702	2,716	815	20,586	5,517
Financial investments trading portfolio	2,006	21	169	4	2,175	25
Other						
Unrealised gains:						
Increase of fair value in the trading portfolio	21		2		23	
Other						
<b>TOTAL GAINS</b>	<b>19,897</b>	<b>4,723</b>	<b>2,887</b>	<b>819</b>	<b>22,784</b>	<b>5,542</b>
<b>TOTAL INVESTMENT REVENUES</b>	<b>88,815</b>	<b>66,309</b>	<b>13,361</b>	<b>10,680</b>	<b>102,176</b>	<b>76,989</b>

Figures in thousand of Euros



CONCEPT	EXPENSES FROM INVESTMENTS OF:					
	OPERATIONS		EQUITY		TOTAL	
	2007	2006	2007	2006	2007	2006
<b>INTEREST, DIVIDEND AND SIMILAR EXPENSES</b>						
Property, plant and equipment investment	1,005	977		66	1,005	1,043
- Rentals	693	660		66	693	726
- Other	312	317			312	317
Expenses from the portfolio held to maturity			1		1	
- Fixed income			1		1	
- Other investment						
Expenses from the portfolio available for sale	4,709	4,867	314	544	5,023	5,411
Expenses from the trading portfolio						
Other financial expenses	3,995	3,825	4,757	6,201	8,752	10,026
<b>TOTAL EXPENSES</b>	<b>9,709</b>	<b>9,669</b>	<b>5,072</b>	<b>6,811</b>	<b>14,781</b>	<b>16,480</b>
<b>REALISED AND UNREALISED LOSSES</b>						
Realised losses:	7,554	4,296	1,224	772	8,778	5,068
Property, plant and equipment investment						
Financial investments portfolio held to maturity						
Financial investments portfolio available for sale	7,090	4,219	1,064	465	8,154	4,684
Financial investments trading portfolio	378	43	62	1	440	44
Other	86	34	98	306	184	340
Unrealised losses:						
Decrease of fair value in the trading portfolio						
Other						
<b>TOTAL LOSSES</b>	<b>7,554</b>	<b>4,296</b>	<b>1,224</b>	<b>772</b>	<b>8,778</b>	<b>5,068</b>
<b>TOTAL INVESTMENT EXPENSES</b>	<b>17,263</b>	<b>13,965</b>	<b>6,296</b>	<b>7,583</b>	<b>23,559</b>	<b>21,548</b>

Figures in thousand of Euros

## 6.16 Operating expenses

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

CONCEPT	REINSURANCE	
	2007	2006
I. Acquisition expenses	406,356	384,445
II. Administration expenses	9,513	9,054
III. Fees and participation retroceded reinsurance	(104,376)	(95,413)
IV. Operating expenses from other activities		-
<b>TOTAL NET OPERATING EXPENSES</b>	<b>311,493</b>	<b>298,086</b>

Figures in thousand of Euros

Personnel expenses and allowances to amortisation in the last two financial years are detailed below.

CONCEPT	AMOUNT	
	2007	2006
Personnel expenses	19,718	20,227
Allocations to amortisation	1,608	1,174
<b>TOTAL</b>	<b>21,326</b>	<b>21,401</b>

Figures in thousand of Euros

### 6.17 Results from retroceded reinsurance

The result from retroceded reinsurance transactions in financial years 2007 and 2006 is shown below.

CONCEPT	NON-LIFE		LIFE		TOTAL	
	2007	2006	2007	2006	2007	2006
Premiums (-)	(516,010)	(441,863)	(18,683)	(11,485)	(534,693)	(453,348)
Variation in the provision for unearned premiums and for unexpired risks	48,961	52,404	4,787	1,622	53,748	54,026
Claims paid (+) and variation in the provision for claims	185,392	216,881	8,914	7,067	194,306	223,948
Variation in the policy reserve						
Variation in other actuarial liabilities						
Participation of reinsurance in fees and expenses(+)	103,722	94,903	654	510	104,376	95,413
Other						
<b>RESULT OF RETROCEDED REINSURANCE</b>	<b>(177,935)</b>	<b>(77,675)</b>	<b>(4,328)</b>	<b>(2,286)</b>	<b>(182,263)</b>	<b>(79,961)</b>

Figures in thousand of Euros

### 6.18 Tax situation

As from the 2002 financial year, MAPFRE RE forms part of the companies that are included, for Company Tax purposes, under Tax Group number 9/85, said group being formed by MAPFRE S.A. and those of its subsidiaries which meet the requirements to fall under said tax scheme.

#### ELEMENTS OF EXPENSE FROM COMPANY TAX AND RECONCILIATION OF THE ACCOUNTING RESULT WITH THE TAX COST OF ONGOING CONCERNS

A detail is provided below, for financial years closed at 31 December 2007 and 2006, of the main elements of company tax expense and the reconciliation between the company tax expense / revenue and the product of multiplying the accounting result by the applicable tax rate is carried out.

The Group has carried out the reconciliation by adding separately-made reconciliations using the domestic rates of each country.

CONCEPT	FINANCIAL YEAR 2007	FINANCIAL YEAR 2006
Earnings before taxes, ongoing concerns	134,894	115,769
32.5% of rearnings before taxes, ongoing concerns	(43,841)	(40,519)
Tax impact of permanent differences	10,192	5,497
Tax impact from tax rates different from 32.5%	(201)	116
Expense/Revenue from current tax originating in the year		
Expense/Revenue from current tax originating in previous years		
Profits from previous periods not recognised previously due to the use of negative tax bases, deductions pending application or temporary differences.	(10,042)	(3,689)
<b>TOTAL</b>	<b>(43,892)</b>	<b>(38,595)</b>

Figures in thousand of Euros

The amounts relating to expenses or revenues from current taxes correspond to amounts to be paid to or recovered from the Treasury, corresponding to the tax result for the period.

The amounts of deferred expenses or revenues correspond to amounts to be paid to or recovered from the Treasury in future financial years.

The following tables provide a breakdown of movements for financial years 2007 and 2006 of the deferred tax assets heading, detailing their amount in relation to items directly debited or credited to equity accounts in each financial year.

### Financial year 2007

CONCEPTS	OPENING BALANCE FINANCIAL YEAR 2007	ADJUSTS. TO OPENING BALANCE	CHANGES IN PERIMETER	FROM		CANC.	CLOSING BALANCE FINANCIAL YEAR 2007
				RESULTS	EQUITY		
Valuation difference in financial investments							
Embedded derivatives							
Valuation difference in policy reserves							
Valuation difference in death provisions							
Capital increase expenses, other depreciable expenses		396		(162)			234
Tax loans on negative tax bases	2,833		(2,833)				
Tax loans (Deductions pending and others, etc)							
Other	6,836	(761)	(159)	409			6,325
<b>TOTAL DEFERRED TAX ASSETS</b>	<b>9,669</b>	<b>(365)</b>	<b>(2,992)</b>	<b>247</b>			<b>6,559</b>

Figures in thousand of Euros

Changes in perimeter are due to the sale of Mapfre Reinsurance Corporation (USA).

### Financial year 2006

CONCEPTS	OPENING BALANCE FINANCIAL YEAR 2007	ADJUSTS. TO OPENING BALANCE	CHANGES IN PERIMETER	FROM		CANC.	CLOSING BALANCE FINANCIAL YEAR 2006
				RESULTS	EQUITY		
Valuation difference in financial investments	592	(62)			(530)		
Embedded derivatives							
Valuation difference in policy reserves							
Valuation difference in death provisions							
Capital increase expenses, other depreciable expenses	6,810	(710)		(3,267)	137		2,833
Tax loans on negative tax bases							
Tax loans (Deductions pending and others, etc)	5,141	2,299		(741)			6,836
Other	12,543	1,527		(4,008)	(393)		9,669
<b>TOTAL DEFERRED TAX ASSETS</b>							

Figures in thousand of Euros

The breakdown of the heading "Other", in its most significant amounts of the last two financial years, is as follows:

### Financial Year 2007

CONCEPT	IMPORTE
Overseas taxes	3,960
Prepaid taxes stemming from pension related commitments	2,306

Figures in thousand of Euros

### Financial Year 2006

CONCEPT	IMPORTE
Overseas taxes	3,957
Prepaid taxes stemming from pension related commitments	2,140

Figures in thousand of Euros

Deferred tax assets of the fully consolidated companies, as a consequence of negative tax bases pending application and of deductible temporary differences accumulated at 31 December 2007 and 2006 amount to 6.78 million Euros and 9.85 million Euros, respectively. Of the total amount of deferred tax assets, 6.56 million Euros have been recorded in the balance sheet and in the equity or results accounts at 31 December 2007 and 9.67 million Euros at 31 December 2006.

The Company reckons that there will be future tax profits against which to offset the deferred tax assets recorded in financial years 2007 and 2006. Said expectation is based on projections made, based on the past historical experience and drafted according to reasonable assumptions, deriving from past occurrences.

The following tables show the movements of the deferred tax liabilities heading for financial years 2007 and 2006.

CONCEPTS	OPENING BALANCE FINANCIAL YEAR 2007	ADJUSTS. TO OPENING BALANCE	CHANGES IN PERIMETER	FROM			CLOSING BALANCE FINANCIAL YEAR 2007
				RESULTS	EQUITY	CANC.	
Valuation difference in financial investments	9,319	(146)		37	(1,966)	(17)	7,227
Embedded derivatives	14			(14)			
Stabilisation and catastrophic provision (elimination)	17,121			1,870			18,991
Other	993	7	(271)	83	(34)		778
<b>TOTAL DEFERRED TAX LIABILITIES</b>	<b>27,447</b>	<b>(139)</b>	<b>(271)</b>	<b>1,976</b>	<b>(2,000)</b>	<b>(17)</b>	<b>26,996</b>

*Figures in thousand of Euros*

CONCEPTS	OPENING BALANCE FINANCIAL YEAR 2006	ADJUSTS. TO OPENING BALANCE	CHANGES IN PERIMETER	FROM			CLOSING BALANCE FINANCIAL YEAR 2006
				RESULTS	EQUITY	CANC.	
Valuation difference in financial investments	9,941	(244)		(38)	(268)	(72)	9,319
Embedded derivatives	23			(9)			14
Stabilisation and catastrophic provision (elimination)	6,706			10,415			17,121
Other	3,479	(330)		(1,876)	(280)		993
<b>TOTAL DEFERRED TAX LIABILITIES</b>	<b>20,149</b>	<b>(574)</b>		<b>8,492</b>	<b>(548)</b>	<b>(72)</b>	<b>27,447</b>

*Figures in thousand of Euros*

The breakdown of the heading "Other" in the last two years is as follows:

#### Financial year 2007

Elimination of losses in investments available for sale for 203 thousand Euros  
 Elimination of exchange differences in monetary items for 335 thousand Euros  
 Elimination of forex translation losses/gains for 96 thousand Euros  
 Tax liabilities of subsidiaries for 46 thousand Euros

#### Financial year 2006

Elimination of losses in investments available for sale for 348 thousand Euros  
 Elimination of exchange differences in monetary items for 198 thousand Euros  
 Elimination of forex translation losses/gains for 96 thousand Euros  
 Tax liabilities of subsidiaries for 351 thousand Euros

All the deferred tax liabilities of fully consolidated companies as a result of taxable temporary differences accumulated at 31 December 2007 and 31 December 2006 have been recognised in the balance sheet at said dates.

### NEGATIVE TAX BASES

The breakdown of negative tax bases pending set-off in fully consolidated companies at the end of the last two financial years is as follows:

<b>Financial year 2007</b>		<b>AMOUNTS OF NEGATIVE TAX BASES</b>		<b>DEFERRED TAX ASSET</b>	
<b>FINANCIAL YEAR OF GENERATION</b>	<b>APPLICATION DEADLINE</b>	<b>APPLIED IN THE YEAR</b>	<b>PENDING APPLICATION</b>	<b>RECORDED</b>	<b>NOT RECORDED</b>
2003	2007		265		90
2004	2007		359		122
2005	2007		36		12
<b>TOTAL</b>			<b>660</b>		<b>224</b>

*Figures in thousand Euros*

<b>Financial year 2006</b>		<b>AMOUNTS OF NEGATIVE TAX BASES</b>		<b>DEFERRED TAX ASSET</b>	
<b>FINANCIAL YEAR OF GENERATION</b>	<b>APPLICATION DEADLINE</b>	<b>APPLIED IN THE YEAR</b>	<b>PENDING APPLICATION</b>	<b>RECORDED</b>	<b>NOT RECORDED</b>
1998	2015	956	-	-	-
1999	2019	1,171	7,815	2,736	-
2000	2020	-	278	97	-
2003	2008	-	61	-	21
2004	2009	-	154	-	54
2005	2010	7,459	289	-	101
<b>TOTAL</b>		<b>9,586</b>	<b>8,597</b>	<b>2,833</b>	<b>176</b>

*Figures in thousand Euros*

Deferred tax assets have been accounted for in relation to negative tax bases pending set-off in consolidated companies, as they correspond with negative tax bases generated as a result of unusual management events and future tax profits are likely to exist against which they may be offset.

The detail of tax incentives in fully consolidated companies for financial years 2007 and 2006 is as follows:

<b>Detail of tax incentives - financial year 2007</b>					
<b>TYPE</b>	<b>FINANCIAL YEAR TO WHICH THEY RELATE</b>	<b>AMOUNT APPLIED IN THE FINANCIAL YEAR</b>	<b>AMOUNT PENDING APPLICATION</b>	<b>AMOUNT NOT RECORDED</b>	<b>PERIOD FOR ALLOCATION</b>
Tax relief on investments					
Creation of employment					
Other	2007	12			10 YEARS

*Figures in thousand Euros*

<b>Detail of tax incentives - financial year 2006</b>					
<b>TYPE</b>	<b>FINANCIAL YEAR TO WHICH THEY RELATE</b>	<b>AMOUNT APPLIED IN THE FINANCIAL YEAR</b>	<b>AMOUNT PENDING APPLICATION</b>	<b>AMOUNT NOT RECORDED</b>	<b>PERIOD FOR ALLOCATION</b>
Tax relief on investments					
Creation of employment					
Other	2006	8			10 YEARS

*Figures in thousand Euros*

For the consolidation of the entitlement to the deductions applied by consolidated Spanish companies, the equity elements earmarked to them must remain in operation within their assets, generally, during a period of five years or during their useful life, should this be shorter.

In financial year 2003, the controlling Company allocated income amounting to EUR 1.09 million from the sale of shares in ITSEMAP, Servicios Tecnológicos MAPFRE, to deduction on reinvestment of extraordinary profits as laid down in article 42 of Royal Decree-Act 4/2004, generating a deduction in the Company Tax base for 2003 of EUR 0.18 million. The assets where the reinvestment was carried out shall remain in the company's ownership until financial year 2008.

Likewise, in financial year 2002, the controlling Company allocated income amounting to 6.35 million Euros to deduction on reinvestment of extraordinary profits as laid down in the Third Transitional Provision of Act 24/2001, on Tax, Administration and Labour Related measures, generating a deduction in the Company Tax base for 2002 of EUR 1.08 million.

On 31 January 2003, a capital increase was carried out at the controlling Company, to which CORPORACIÓN MAPFRE contributed the building of Paseo de Recoletos no. 25 in Madrid. This was a non cash contribution that was made under the special Regime provided for in Chapter VII of title VIII of Royal Decree-Act 4/2004, approving the consolidated text of the Company Tax Act.

As a result of said transaction, the controlling Company incorporated into its assets the mentioned building, which was purchased by CORPORACIÓN MAPFRE, S.A. on 27 December 2000, on the occasion of the overall assignment of assets and liabilities of INCALBARSA, S.A., a transaction that in turn was made subject to the special Regime of Chapter VII of said Royal Decree Act.

Said property was recorded for the amount of EUR 30,000,000.81, with a depreciation being allowed in years 2003 and 2004 amounting to EUR 0.56 million. Said property was accounted for at CORPORACIÓN MAPFRE in the amount of 11,868,822.10 Euros and the accumulated depreciation up to the contribution date amounted to 1,567,104.37 Euros.

In accordance with the legislation in force, the tax returns filed for the different taxes may not be considered as definitive until they have been inspected by the tax authorities or until the prescription period of four years has elapsed.

At 31 December 2007, the fully consolidated Spanish companies have open to inspection all the taxes to which they are subject for financial years 2003 to 2006, as well as all the other taxes corresponding to financial years 2004 to 2007.

Some Group companies have been subject to inspection proceedings that ended in assessments signed in disagreement. These assessments have been appealed against and at the closing date of both financial years they are pending resolution. In the opinion of the Group's advisers, the likelihood of significant tax liabilities arising on this account is remote.

## 6.19 Staff remuneration and related liabilities

### 1. PERSONNEL EXPENSES

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

CONCEPT	AMOUNT	
	2007	2006
Short- term remuneration	18,417	18,360
Wages and salaries	13,646	14,601
Social security	2,479	1,929
Other remuneration	2,292	1,830
Post-employment benefits	1,147	793
Defined contribution commitments	564	159
Defined benefit commitments	583	634
Other long-term benefits		-
Dismissal compensation	154	1,074
<b>TOTAL</b>	<b>19,718</b>	<b>20,227</b>

*Figures in thousand of Euros*

In 2007, pursuant to the provisions of article 41.2 of the MAPFRE Insurance Group's Workers Agreement, there has been a transformation of the defined contribution pension related commitments that are regulated in article 58 of the insurance industry's Collective Agreement, into a defined contribution plan that is instrumented through a collective insurance contract.

In 2007, as a result of said change, in addition to paying said year's contribution according to the new conditions, an initial contribution has been paid corresponding to past service, as well as an extraordinary contribution to cover the cases where the new system might be potentially detrimental to employees' interests.

The amount resulting from settling the above mentioned commitment has been allocated to results.

## 2. POST-EMPLOYMENT BENEFITS

### A) Description of the defined benefit schemes in force

The defined benefit schemes in force, all of which are instrumented through insurance policies with MAPFRE VIDA, are measured pursuant to the provisions detailed in the accounting policies, and are those where the benefit is determined according to end salaries, with a benefit paid as a for life annuity, subject to review according to the annual consumer price index (CPI) or by way of a benefit in the form of capital.

### B) Amounts recognised in the Balance Sheet

#### Reconciliation with the present value of the obligation

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

CONCEPT	2007	2006
PRESENT VALUE OF THE OBLIGATION AT 1 JANUARY	6,716	5,919
Cost of services in the year under review	1,292	718
Interest cost	293	224
Contributions made by plan members	-	-
Actuarial losses and gains	(1,253)	(97)
Changes from variations in exchange rates	-	-
Benefits paid	(34)	(48)
Cost of past services		
Reductions		-
Settlements	(487)	-
PRESENT VALUE OF THE OBLIGATION AT 31.12.2007	6,527	6,716

*Figures in thousand of Euros*

Actuarial gains in financial year 2007 arise from the increased interest rate applied to the calculation of the present obligation at 31 December 2007 with respect to financial year 2006, and from adjustments based on past experience.

The amount shown under "Settlements" in 2007 relates to the settlement of the defined benefit scheme that is described in the opening paragraph of this note.

#### Reconciliation of the opening and closing balance of redemption rights

The following table shows the reconciliation of the opening and closing balance of redemption rights in the last two financial years.

CONCEPT	2007	2006
<b>VALUE OF REDEMPTION RIGHT AT 1 JANUARY</b>	<b>6,481</b>	<b>5,689</b>
Expected return on scheme assets	244	231
Actuarial losses and gains	(495)	20
Changes from variations in the Exchange rate		
Contributions made by employer	774	589
Contributions made by scheme members		
Benefits paid	(34)	(48)
Business combinations		
Settlements	(466)	
<b>VALUE OF REDEMPTION RIGHT AT 31 DECEMBER</b>	<b>6,504</b>	<b>6,481</b>

*Figures in thousand of Euros*

The amount shown under "Settlements" in 2007 relates to the settlement of the defined benefit scheme that is described in the opening paragraph of this note.

### C) Amounts recognised in the consolidated annual accounts

The following table details the amounts recognised in the consolidated annual accounts of financial years 2007 and 2006.

CONCEP	2007	2006
Cost of services in year under review	1,292	718
Interest cost	293	224
Return expected from assets allocated to the scheme	-	-
Return expected from any redemption right recognised as an asset	(244)	(231)
Actuarial losses and gains	(758)	(77)
Cost of past services recognised in the year	-	-
Other concepts	-	-
<b>TOTAL EXPENSE RECOGNISED IN THE ANNUAL ACCOUNTS</b>	<b>583</b>	<b>634</b>

*Figures in thousand of Euros*

Actuarial losses and gains basically arise from the increase in the interest rate applied to the calculation of the present actuarial value of the obligation on the closing of financial year 2007 with respect to financial year 2006, and from adjustments based on past experience.

In addition, results have been accounted for arising from the settlement of the defined benefit plan that is described in the opening paragraph of this note, amounting to 65 thousand Euros.

### D) Returns

The real return of the redemption rights recognised as an asset pursuant to the provisions of IAS 19.104A has amounted to 0.44 million Euros in 2007.

### E) Assumptions

The most significant actuarial assumptions used at the balance sheet date are as follows:



CONCEPT	2007	2006
<b>DEMOGRAPHICAL ASSUMPTIONS</b>		
Mortality tables	GKM/F-95	GKM/F-95
Survival tables	PERMI/F-2000	PERMI/F-2000
<b>FINANCIAL ASSUMPTIONS</b>		
Discount rate	3-4.66%	3-3.91%
Average annual salary increase	5%	3%
Average annual CPI	3%	3-5%
Expected return on scheme assets/redemption rights	3.59%	3.54%

## F) Estimates

The best estimate of the contributions to the plan in 2008 has been made according to the staff existing at the Group at 31 December 2007 and it amounts to EUR 0.79 million.

### 3. SHARE-BASED PAYMENTS

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

- Formula: Each member is granted the right to earn, in cash, the amount resulting from multiplying the number of shares in MAPFRE, S.A. assigned in theory, by the difference between the simple arithmetical mean of the closing share price during the stock market sessions of the 30 business days prior to the reporting date of the year and the simple arithmetical mean of the closing price during the stock market sessions corresponding to 30 business days immediately preceding the date of inclusion into the scheme. Nevertheless, in the initial group of members, this reference has been replaced with the closing share price of 31 December 2006, which was 3.42 Euros per share.

- Exercise of the right: The right shall be liable of exercise as to a maximum of 30% during the month of January of the fourth year, as to a maximum of 30% during the month of January of the seventh year, and the remainder during the month of January of the tenth year. All rights granted shall be exercised, at the latest, on the last day of the third period above mentioned.

The number of reference shares taken into account to the effects of calculation of the remuneration amounted to 877,192 shares in 2007, with the exercise price being, as mentioned above, of EUR 3.42 per share.

No cancellation has taken place during the year.

In order to obtain the fair value of the granted options, the Black-Scholes model has been applied for the calculation of the price of share options, taking the following parameters into account:

- Risk-free interest rate: the interest rate of IRS (Interest Rate Swap) deals for the different periods, which at 31 December ranged between 4.50% and 4.70%.
- Dividend yield: that resulting from the dividends paid against the latest financial year closed (2006) and the closing share price of financial year 2007.
- Volatility: that resulting from the performance of share prices during financial year 2007 (28.3%).

According to the above mentioned parameters, said remuneration system is measured and recognised in the annual accounts pursuant to the rules explained in Note 5.14 of the annual report. Personnel expenses accounted for in the annual accounts in this concept amount to 81 thousand Euros, with a liability being recognised for the same amount.

#### 4. STAFF NUMBERS

The following table shows the average number of employees by geographical segment in the last two financial years.

2006	EXECUTIVES		CLERKS		SALES REPS.		OTHER		TOTAL	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
SPAIN	36	9	16	38	-	-	16	7	67	54
OTHER EU	6	1	4	9	2	-	7	4	18	14
AMERICA	14	7	18	24	5	2	14	7	51	40
REST OF THE WORLD	1	1	-	-	-	-	1	4	2	5
<b>TOTAL</b>	<b>56</b>	<b>18</b>	<b>38</b>	<b>71</b>	<b>7</b>	<b>2</b>	<b>37</b>	<b>21</b>	<b>138</b>	<b>112</b>

2007	EXECUTIVES		CLERKS		SALES REPS.		OTHER		TOTAL	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
SPAIN	37	9	17	39	-	-	16	7	70	55
OTHER EU	6	1	4	9	2	-	7	4	19	14
AMERICA	14	7	19	25	5	2	14	7	52	41
REST OF THE WORLD	1	1	-	-	-	-	1	4	2	5
<b>TOTAL</b>	<b>58</b>	<b>18</b>	<b>40</b>	<b>73</b>	<b>7</b>	<b>2</b>	<b>38</b>	<b>22</b>	<b>143</b>	<b>115</b>

#### 6.20 Net exchange losses/gains

Exchange gains other than those arising from financial instruments measured at fair value, allocated to the annual accounts, amount to EUR 74.37 million and EUR 81.65 million in the 2007 and 2006 financial years, respectively.

Exchange losses other than those arising from financial instruments measured at fair value, allocated to the annual accounts, amount to EUR 86.39 million and EUR 82.50 million in the 2007 and 2006 financial years, respectively.

The reconciliation of the forex translation losses/gains recognised in equity at the beginning and the end of the year, in 2007 and 2006, is shown below.

ITEMS	AMOUNT	
	2007	2006
Forex translation losses/gains at beginning of year	14,055	23,414
Net exchange differences on translation of financial statements	4,521	(9,359)
Forex translation losses/gains at year end	18,576	14,055

*Figures in thousand of Euros*

At 31 December 2007 and 2006, net exchange differences arising from the exchange into Euros of the financial statements of those Sistema Mapfre companies whose functional currency is not the Euro are:

#### Fully consolidated companies

COMPANY	COUNTRY	CURRENCY	FOREX TRANSLATION					
			GAINS		LOSSES		NET	
			2007	2006	2007	2006	2007	2006
INVERSIONES IBÉRICAS	Chile	Chilean Peso	456	1,201			456	1,201
MAPFRE CHILE REAS	Chile	Chilean Peso	6	1,501			6	1,501
INVERSIONES MAPFRE RE	Colombia	Colombian Peso	2,071	566			2,071	566
MAPFRE RE HOLDING	USA	US Dollar				(4,626)		(4,626)
MAPFRE RE	Spain	Euro	16,043	15,413			16,043	15,413
<b>TOTAL</b>			<b>18,576</b>	<b>18,681</b>		<b>(4,626)</b>	<b>18,576</b>	<b>14,055</b>

Figures in thousand of Euros

The result recognised directly in equity arising from the revaluation of non-cash items in the last two years is shown below.

#### Exchange losses/gains accounted for directly in equity

COMPANY	GEOGRAPHICAL AREA	FOREX TRANSLATION					
		GAINS		LOSSES		NET	
		2007	2006	2007	2006	2007	2006
MAPFRE RE	Spain			(1,801)	(304)	(1,801)	(304)
<b>TOTAL</b>				<b>(1,801)</b>	<b>(304)</b>	<b>(1,801)</b>	<b>(304)</b>

Figures in thousand of Euros

### 6.21 Contingent assets and liabilities

At the closing date of the annual accounts, there are contingent assets arising from the positive evolution of the Mapfre Reinsurance Corporation (M.R.C) business, the financial effect of which is estimated at USD 0.84 million. The sale agreement of this company to Mapfre USA contemplates a price adjustment alter three years, according to the evolution of the M.R.C. business. Said adjustment, if applicable, would have a maximum limit of USD 3 million.

### 6.22 Transactions with related parties

All transactions with related parties have been carried out in market conditions.

#### TRANSACTIONS WITH GROUP COMPANIES

The transactions carried out between Group companies, with a null effect on results as they have been eliminated in the consolidation process, are detailed below:

CONCEPT	EXPENSES		REVENUES	
	2007	2006	2007	2006
Received/provided services and other expenses/revenues	3,859	2,160		1,247
Expenses/revenues from property, plant and equipment investment				
Investment expenses/revenues and financial accounts	452	7,440		324
Other non technical expenses/revenues	975		1,548	
Dividends received			4,495	3,517
<b>TOTAL</b>	<b>5,286</b>	<b>9,600</b>	<b>6,043</b>	<b>5,088</b>

Datos en miles de euros

The amounts recorded as a consequence of transactions carried out during the year with the upper consolidated groups are shown below.

CONCEPT	EXPENSES	
	2007	2006
Expenses and revenues from property, plant and equipment investment		
Investment expenses and revenues and financial accounts	2,045	
External services and other non technical expenses/revenues	3,462	3,650
Dividends paid	2,540	32,378
<b>TOTAL</b>	<b>8,047</b>	<b>36,028</b>

Figures in thousand of Euros

### REINSURANCE AND COINSURANCE TRANSACTIONS

Reinsurance and coinsurance transactions carried out between companies of the consolidated Group, eliminated in the consolidation process, are shown below:

CONCEPT	EXPENSES		REVENUES	
	2007	2006	2007	2006
Premiums ceded/accepted	4,531	29,205	4,566	29,344
Claims	3,964	40,839	3,355	41,220
Variation in actuarial liabilities		74	194	
Fees	(1,690)	1,747	1,249	1,190
Other technical expenses and revenues				-
<b>TOTAL</b>	<b>6,805</b>	<b>71,865</b>	<b>9,364</b>	<b>71,754</b>

Figures in thousand of Euros

Reinsurance transactions carried out with companies of the higher consolidated Groups are shown below.

CONCEPT	REVENUES/(EXPENSES)			
	ACCEPTED REINSURANCE		CEDED REINSURANCE	
	2007	2006	2007	2006
Premiums	592,989	583,175	(22,874)	(37,400)
Claims	(262,575)	(432,674)	9,249	59,521
Fees	(156,776)	(163,200)	2,395	5,449
<b>TOTAL</b>	<b>173,638</b>	<b>(12,699)</b>	<b>(11,230)</b>	<b>27,570</b>

Figures in thousand of Euros

The following tables detail the balances with reinsurers and ceding companies, deposits established and actuarial liabilities on reinsurance transactions with companies of the consolidated Group, eliminated in the consolidation process, as well as with the higher consolidated Groups:

CONCEPT	ELIMINATED BALANCES				NON-ELIMINATED BALANCES			
	ACCEPTED REINSURANCE		CEDED REINSURANCE		ACCEPTED REINSURANCE		CEDED REINSURANCE	
	2007	2006	2007	2006	2007	2006	2007	2006
Credits and debts	(39)	(498)	627	470	67,710	41,227	(972)	(232)
Deposits	(1,640)	(2,067)	1,643	2,080	164,735	178,779	(3,410)	(569)
Actuarial liabilities	7,576	8,837	(7,518)	(9,030)	(581,072)	(656,446)	15,729	14,842
<b>TOTAL</b>	<b>(5,897)</b>	<b>(6,272)</b>	<b>(5,248)</b>	<b>(6,480)</b>	<b>(348,627)</b>	<b>(436,440)</b>	<b>11,347</b>	<b>14,041</b>

Figures in thousand of Euros

## REMUNERATION OF KEY MANAGERIAL STAFF

The following table details the remuneration earned in the last two financial years by key managerial staff (understanding as such the members of the Board of Directors, of the Management Committee and of the Delegate Committees of the controlling Company):

CONCEPT	AMOUNT	
	2007	2006
Short-term remuneration		
Salaries	753,42	670,91
Fixed allowances	150,97	204,6
Attendance fees	38,58	44,64
Life insurance	50,32	19,23
Other concepts	41,36	43,10
Post-employment		
Defined contribution	470,93	27,63
Defined benefits	80,10	453,36
Other long-term benefits		-
Share-based payments	40,41	-
<b>TOTAL</b>	<b>1,626,09</b>	<b>1,463,47</b>

*Figures in thousand of Euros*

External directors' basic remuneration consists of a fixed annual allowance on account of appertaining to the Board of Directors, which in 2007 amounted to EUR 25,000.

In addition, they benefit from a Life insurance policy with an insured capital of EUR 150,253 and enjoy some of the benefits extended to staff, such as health insurance.

External directors belonging to Commissions or Delegate Committees also receive an attendance allowance, which amounted to EUR 2,625 Euros in 2006 and it has amounted to EUR 2,756 in 2007.

Executive directors (understanding as such both the company's executives and those fulfilling executive offices in other MAPFRE GROUP entities) receive the remuneration established in their contracts, including fixed salary, bonuses with varying amounts linked to results, life and disability insurance, and other benefits generally established for the Entity's staff; in addition, certain pension complements have been acknowledged to them for the event of retirement, externalised through a life insurance policy, it all according to the remuneration policy established by the Group for its senior managerial staff, whether or not they are directors. However, they are not entitled to the remuneration established for external directors.

## 6.23 Subsidies

An official grant was received amounting to 33 thousand Euros and 26 thousand Euros in financial years 2007 and 2006, respectively.

CONCEPT	2007	2006
At 1 January	0	0
Received during the year	33	26
Transferred to the annual accounts	33	26
At 31 December	0	0

*Figures in thousand of Euros*

## 7. RISK MANAGEMENT

### Risk management policies and hedging activities

#### RISK TYPES AND METHODOLOGY

MAPFRE has designed a Risk Management System (SGR) based on the integrated management of each and every one of the entity's business processes, and on the adequacy of the risk level to the established strategic objectives. The different types of risks have been grouped under four areas, or categories, as detailed below:

• Operational Risks	• Includes twenty-three types of risks grouped under the following areas: <i>actuarial, legal, technology, staff, collaborators, procedures, reporting, fraud, market and tangible assets.</i>
• Financial Risks	• Includes interest rate, liquidity, exchange rate, investment and credit risks.
• Insurance Activity Risks	• It groups, separately for Life and Non-Life, risks arising from inadequacy of premiums, actuarial liabilities and reinsurance.
• Strategic and Corporate Governance Risks	• Includes the corporate ethics and corporate governance risks, and risks on organisational structure, alliances, mergers and acquisitions, regulatory and, lastly, market and competition risks.

#### CENTRALISATION OF THE RISK MANAGEMENT SYSTEM

The structure of the MAPFRE Group is based on Units and Operating Companies having a high degree of autonomy in their management. SISTEMA MAPFRE's governance and management bodies approve the lines of action of the Units and Companies as regards risk management, and permanently supervise their risk exposures, through indicators and ratios. In addition, there are general action guidelines in order to mitigate risk exposure, such as maximum levels of investment in Shares or credit rating of reinsurers.

The Economic and Management Control Area, through the Directorate for Risks, coordinates the activities related to the quantification of risks and, in particular, the implementation of capital models in the operating units, designed to comply with the future Solvency II requirements.

Operating Units have a Risk Coordinator, reporting to the Administration Management, for the implementation of risk policies and management in each unit. These activities are coordinated through a Monitoring Committee for the implementation of the Risk Quantification Models, which meets monthly. The degree of progress in projects and other significant aspects are reported to MAPFRE's Senior Management through the Audit Committee.

In general terms, decisions on the underwriting of insurable risks and reinsurance covers are highly decentralised in the Units. The aspects related to Operational Risk are supervised centrally, although their implementation and monitoring are delegated on the Units. The management of Strategic and Corporate Governance risks is highly centralised. Financial risks are managed centrally through the Group's Investment General Management.

#### ESTIMATION OF RISKS AND CAPITAL

MAPFRE has in place an internal capitalisation and dividend policy aimed at endowing the Units, rationally and objectively, with the capital required to meet the risks they have assumed. Risk estimation is made by means of a standard fixed factors model that quantifies financial risks, credit risks and insurance activity risks. This benchmark will be subsequently replaced with that of each Unit's own model. In addition, the level of capital allocated to each Unit will never be lower than the legally required minimum in each moment in time, plus a margin of 10%.

Allocated capital is fixed pursuant to an estimation based on the budgets for the following year and is revised at least once a year, depending upon the evolution of risks.

Certain units require a capitalisation level higher than that arising from the above described general rule, either because they operate in other countries with different legal requirements, or because they require a financial solvency rating inherent in higher capitalisation levels. In these cases, MAPFRE's Management Committee determines the capitalisation level on a case by case basis, or grants additional guarantees that strengthen the capitalisation levels paying attention to each unit's peculiarities.

## **OPERATIONAL RISKS**

The identification and assessment of Operational Risks are carried out by means of the computer application Riskm@p, developed by MAPFRE, which prepares the entities' Risk Maps.

The management model for this risk is based on a dynamic analysis by processes, in such a way that the managers of each area or department carry out an annual identification and assessment of the potential risks affecting the following processes: Product Development, Underwriting, Claims/Benefits, Administrative Management, Marketing Activities, Human Resources, Commissions, Coinsurance/Reinsurance, Actuarial liabilities, Investments, IT Systems, and Client Service.

## **FINANCIAL RISKS**

As regards financial investments, MAPFRE's policy for mitigating its exposure to this type of risks is based on a prudent investment policy, which concentrates most of the portfolio in fixed income securities.

With respect to credit risk, MAPFRE's policy is based on prudence (issuer's solvency) and on the diversification of fixed income investments. Thus, the fixed income securities portfolio in Europe is divided, roughly, as to half in securities guaranteed by European Union States, and the other half in securities issued by corporations having high credit ratings.

Both for fixed income and equity investments, diversification criteria are applied by activity sectors and maximum risk limits by issuer.

## **INSURANCE ACTIVITY RISKS**

The organisation of MAPFRE, based on Units and Companies specialising in various business lines, requires them to be highly autonomous in their business management, in particular in the underwriting of risks and fee fixing, as well as indemnities or provision of services in the event of claims. Premium adequacy is a particularly important element, and its determination is supported by reports from independent experts in the units or situations when circumstances make it thus advisable.

The handling of benefits, as well as the adequacy of provisions, are basic principles of insurance activity. Actuarial liabilities are estimated by the actuarial teams of the different Units and Companies, and their adequacy is ratified by reports from independent experts whenever required. The prevalence of the personal damages line in MAPFRE, with very short times for the settlement of claims, as well as the scant importance of insured long-tail risks, such as asbestos or professional liability, are elements mitigating this type of risk.

MAPFRE's presence in countries with greater possibilities of occurrence of catastrophes (earthquakes, hurricanes, etc.) requires special treatment of this type of risks, which, considering their frequency and intensity, may give rise to volatility in results or need of additional capitals. The Units and Companies operating in this type of risks, essentially MAPFRE AMÉRICA and MAPFRE RE, count on expert reports on catastrophe exposure, generally prepared by independent experts, which estimate the impact on insured assets in the event of occurrence of catastrophes. This information allows underwriting catastrophic risks according to each entity's financial capabilities and, if applicable, taking reinsurance covers that may limit their impact on equity. In this connection, it is important to highlight the contribution of MAPFRE RE, which provides the Group with its extensive experience in the catastrophic risk market.

In relation to reinsurance risk, MAPFRE's policy is to cede business to reinsurers with proven financial capacity (minimum A credit rating by Standard & Poor's).

## **STRATEGIC AND CORPORATE GOVERNANCE RISKS**

The ethical principles applied to corporate management have been a constant at MAPFRE and form part of its bylaws and of its day to day activities. In order to standardise this corporate culture and adapt it to the legal governance and transparency requirements in management, MAPFRE's Management Bodies have approved in 2006 a revised version of the Corporate Governance Code, initially implemented in 1999. The strict application of Corporate Governance principles is considered by MAPFRE as the most efficient way for mitigating this type of risks.

## A) Insurance Risk

### 1. Sensitivity to insurance risk

The sensitivity to insurance risk measures the impact on economic capital of upward and downward fluctuations of the conditioning factors for said risk (number of insured risks, value of average premium, frequency and cost of claims). A measure of sensitivity to the Non-Life insurance risk is the impact that the variation of a percentage point in the combined ratio would have on the results of the year and, consequently, on equity. This information is detailed in the following table, together with the volatility index of said ratio, calculated according to its standard deviation in a five-year time horizon.

CONCEPT	IMPACT ON RESULTS OF A 1% VARIATION IN THE NON- LIFE COMBINED RATIO		INDEX OF VOLATILITY OF THE COMBINED RATIO	
	2007	2006	2007	2006
TOTAL	6,332	5,574	3.1%	3.8%

### 2. Concentration of insurance risk

MAPFRE has carried out a policy of insurance risk diversification operating in virtually all insurance lines in Spain and extending its scope of action to the international markets, mainly in Latin American countries.

The Group has in place internal control mechanisms or procedures allowing it to identify all types of concentration of the insurance risk.

It is usual practice to use reinsurance contracts as an element that mitigates the insurance risk arising from concentration or accumulation of guarantees exceeding the maximum acceptance levels.

#### 2.a) Premium amounts per risks

The following tables show the revenues arising from written premiums classified according to the business risk in the last two financial years:

CONCEPT	ACCEPTED REINSURANCE		
	LIFE	NON LIFE	
		CATASTROPHE RISKS	OTHER RISKS
Written premiums accepted reinsurance	123,224	220,878	1,257,042

*Figures in thousand of Euros*



**Financial Year 2006**

CONCEPT	ACCEPTED REINSURANCE		
	LIFE	NON LIFE	
		CATASTROPHE RISKS	OTHER RISKS
Written premiums accepted reinsurance	101,020	187,184	1,149,430

Figures in thousand of Euros

**2.b) Amounts of premiums per geographical areas**

The following tables show the revenues arising from written premiums corresponding to accepted reinsurance per geographical areas in the last two financial years.

**Financial Year 2007**

ORDINARY REVENUES	REINSURANCE	
	LIFE	NON LIFE
SPAIN	34,632	496,578
ROTHER EUROPEAN UNION COUNTRIES	16,773	398,984
AMERICA	65,489	455,038
REST OF THE WORLD	6,330	127,320
<b>TOTAL</b>	<b>123,224</b>	<b>1.477,920</b>

Figures in thousand of Euros

**Financial Year 2006**

ORDINARY REVENUES	REINSURANCE	
	LIFE	NON LIFE
SPAIN	34,174	548,184
ROTHER EUROPEAN UNION COUNTRIES	10,460	349,861
AMERICA	50,572	324,705
REST OF THE WORLD	5,814	113,864
<b>TOTAL</b>	<b>101,020</b>	<b>1,336,614</b>

Figures in thousand of Euros

**2.c) Amounts of premiums per currency**

The following table shows – translated into Euros – revenues arising from premiums, classified into their main currencies, for the last two financial years.

CURRENCY	FINANCIAL YEAR	
	2007	2006
Venezuelan Bolivar	72,856	48,874
Australian Dollar	22,757	16,417
Canadian Dollar	8,500	7,447
US Dolar	292,043	219,402
Euro	818,082	834,189
Swiss Franc	18,205	16,352
Pound Sterling	31,468	36,533
Turkish Lira	29,984	14,563
Argentinean Peso	21,466	18,557
Colombian Peso	51,975	36,503
Chilean Peso	54,129	43,251
Mexican Peso	56,627	35,218
Japanese Yen	21,680	21,878
Others	101,394	88,478
<b>TOTAL</b>	<b>1,601,166</b>	<b>1,437,662</b>

Figures in thousand of Euros

**B) Credit risk**

The following table shows the maximum level of exposure to credit risk and reinsurers' credit rating in the last two financial years.

CONCEPT	BOOK VALUE					
	EMPRESAS				TOTAL	
	GROUP		NON GROUP		2007	2006
	2007	2006	2007	2006	2007	2006
Participation of reinsurance in actuarial liabilities	26,149	18,707	525,374	506,530	551,523	525,237
Credits from reinsurance operations	232	478	9,802	22,632	10,034	23,110
<b>TOTAL DEBTOR POSITIONS</b>	<b>26,381</b>	<b>19,185</b>	<b>535,176</b>	<b>529,162</b>	<b>561,557</b>	<b>548,347</b>
Deposits received from ceded and retroceded reinsurance	7,920	627	122,009	142,736	129,929	143,363
Debs from reinsurance operations	3,174	774	51,836	48,111	55,010	48,885
<b>TOTAL CREDITOR POSITIONS</b>	<b>11,094</b>	<b>1,401</b>	<b>173,845</b>	<b>190,847</b>	<b>184,939</b>	<b>192,248</b>
<b>TOTAL NET POSITION</b>	<b>15,287</b>	<b>17,784</b>	<b>361,331</b>	<b>338,315</b>	<b>376,618</b>	<b>356,099</b>

Figures in thousand of Euros

REINSURERS' CREDIT RATING	BOOK VALUE					
	EMPRESAS				TOTAL	
	GROUP		NON GROUP		2007	2006
	2007	2006	2007	2006	2007	2006
AAA			10,893	20,258	10,893	20,258
AA	15,287	4,287	217,746	104,689	233,033	108,976
A			98,693	184,397	98,693	184,397
BBB			32,947	7,476	32,947	7,476
BB OR LOWER			63	21,495	63	21,495
WITHOUT CREDIT RATING		13,497	989	-	989	13,497
<b>TOTAL</b>	<b>15,287</b>	<b>17,784</b>	<b>361,331</b>	<b>338,315</b>	<b>376,618</b>	<b>356,099</b>

Figures in thousand of Euros

The balances corresponding to credits from reinsurance transactions amount to 160.48 million Euros and 147.27 million Euros at 31 December 2007 and 2006, respectively. The deterioration related loss estimate is recorded in the annual accounts in accordance with the rules laid down in accounting policy 5.5.

The following table provides significant information of the last two financial years in relation to the credit risk of fixed income securities:

CREDIT RATING OF ISSUERS	BOOK VALUE	
	PORTFOLIO AVAILABLE FOR SALE	
	2007	2006
AAA	528,219	487,119
AA	398,884	395,196
A	256,141	180,438
BBB	3,905	7,947
BB or lower	16	22
Without credit rating	12,107	30,465
<b>TOTAL</b>	<b>1,199,272</b>	<b>1,101,187</b>

Figures in thousand of Euros

### C) Liquidity Risk

As regards the liquidity risk, MAPFRE's policy is based on maintaining cash balances sufficient to cover any contingency arising from its obligations vis-à-vis insured parties. Thus, at 31 December 2007, the cash and cash equivalent balance amounted to EUR 32.09 million (EUR 44.71 million in the preceding year), equivalent to 1.09% of total financial investments and cash. On the other hand, as regards life and savings insurance, the investment policy preferably applied consists of matching the maturities of investments with obligations entered into in insurance contracts, in order to mitigate the risk exposure. In addition, most fixed-income investments are traded in organised markets, this providing a large capacity of action in view of potential liquidity strains.

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

### D) Market risk

MAPFRE's Directorate General for Investments carries out a periodical analysis of sensitivity of financial risk. Among others, the most usual indicators are the modified duration, for fixed-income securities, and the Value at Risk, for Shares.

#### 1. Interest rate risk

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

PORTFOLIO	AMOUNT OF ASSETS EXPOSED TO INTEREST RATE RISK IN:							
	FAIR VALUE (FIXED INTEREST RATE)		CASH FLOW (VARIABLE INTEREST RATE)		NOT EXPOSED TO RISK		TOTAL	
	2007	2006	2007	2006	2007	2006	2007	2006
HELD FOR SALED	1,063,251	1,050,174	136,191	51,274	219,011	154,059	1,418,453	1,255,507
TRADING	11,318	10,660	612	652	17,792	53,046	29,722	64,358
HELD TO MATURITY	170,821	113,008	-	-	8,098	8,674	178,919	121,682
<b>TOTAL</b>	<b>1,245,390</b>	<b>1,173,842</b>	<b>136,803</b>	<b>51,926</b>	<b>244,901</b>	<b>215,779</b>	<b>1,627,094</b>	<b>1,441,547</b>

Figures in thousand of Euros

The following tables show, for financial years 2007 and 2006, the maturities, average interest rate and modified duration of financial investments:

### 31 December 2007

CONCEPT	CLOSING BALANCE	MATURITY IN:						INTEREST RATE %	MODIFIED DURATION %
		1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	BEYOND OR UNDATED		
<b>PORTFOLIO HELD TO MATURITY</b>									
Fixed Income									
Other investment	178,919	176,202	2,717					4.09%	
<b>TOTAL PORTFOLIO HELD TO MATURITY</b>	<b>178,919</b>	<b>176,202</b>	<b>2,717</b>					<b>4.09%</b>	
<b>PORTFOLIO AVAILABLE FOR SALE</b>									
Fixed Income	1,199,272	135,013	172,043	147,248	157,503	135,305	452,160	3.90%	3.58%
Other investment	219,181	219,011		170				12.59%	
<b>TOTAL PORTFOLIO AVAILABLE FOR SALE</b>	<b>1,418,453</b>	<b>354,024</b>	<b>172,043</b>	<b>147,418</b>	<b>157,503</b>	<b>135,305</b>	<b>452,160</b>	<b>5.03%</b>	
<b>TRADING PORTFOLIO</b>									
Term currency contracts									
Swaps									
Options									
Futures									
Other derivatives									
Fixed income									
Other	29,722	16,207	5,617	7,898				5.41%	
<b>TOTAL TRADING PORTFOLIO</b>	<b>29,722</b>	<b>16,207</b>	<b>5,617</b>	<b>7,898</b>				<b>5.41%</b>	

Figures in thousand of Euros

### 31 December 2006

CONCEPT	CLOSING BALANCE	MATURITY IN:					BEYOND OR UNDATED	INTEREST RATE %	MODIFIED DURATION %
		1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS			
<b>PORTFOLIO HELD TO MATURITY</b>									
Fixed Income									
Other investment	121,682	109,591	9,054	3,037				3.82%	
<b>TOTAL PORTFOLIO HELD TO MATURITY</b>	<b>121,682</b>	<b>109,591</b>	<b>9,054</b>	<b>3,037</b>				<b>3.82%</b>	
<b>PORTFOLIO AVAILABLE FOR SALE</b>									
Fixed Income	1,101,187	195,745	246,400	150,630	83,552	65,452	359,408	4.27%	3.39%
Other investment	154,320	154,111		209				3.99%	
<b>TOTAL PORTFOLIO AVAILABLE FOR SALE</b>	<b>1,255,507</b>	<b>349,856</b>	<b>246,400</b>	<b>150,839</b>	<b>83,552</b>	<b>65,452</b>	<b>359,408</b>	<b>4.23%</b>	
<b>TRADING PORTFOLIO</b>									
Term currency contracts									
Swaps									
Options									
Futures									
Other derivatives									
Fixed income									
Other	64,358	51,640		5,236	7,482			4.75%	
<b>TOTAL TRADING PORTFOLIO</b>	<b>64,358</b>	<b>51,640</b>		<b>5,236</b>	<b>7,482</b>			<b>4.75%</b>	

Figures in thousand of Euros

The modified duration is a reflection of the sensitivity of the value of the assets to interest rate movements, and represents the percentage variation in the fair value of the financial assets per each percentage point of variation in interest rates. For its calculation, the percentage variation of each financial asset is weighted against its market value.

## 2. Foreign exchange risk

The following table shows a breakdown of financial investments according to the currencies in which they are denominated at the closing of the last two financial years

CURRENCY	BOOK VALUE							
	PORTFOLIO HELD TO MATURITY		PORTFOLIO AVAILABLE FOR SALE		TRADING PORTFOLIO		TOTAL	
	2007	2006	2007	2006	2007	2006	2007	2006
Euro	113,456	43,956	959,600	797,365	14,718	44,108	1,087,774	885,429
US Dollar	44,085	55,101	308,755	318,795	1,131	3,068	353,971	376,964
Mexican Peso			5,678	3,161			5,678	3,161
Brazilian Real								
Chilean Peso	8,454	9,631	47,726	58,494	11,930	11,312	68,110	79,167
Venezuelan Bolivar								
Argentinean Peso								
Colombian Peso			2,383	338			2,383	338
Pound Sterling	11,308	3,556	21,579	18,262	1,943	5,870	34,830	27,688
Canadian Dollar		657	24,146	21,578			24,146	22,235
Philippines Peso	379	465					379	465
Peruvian Sol								
Other currencies	1,237	8,316	48,586	37,514			49,823	46,100
<b>TOTAL</b>	<b>178,919</b>	<b>121,682</b>	<b>1,418,453</b>	<b>1,255,507</b>	<b>29,722</b>	<b>64,358</b>	<b>1,627,094</b>	<b>1,441,547</b>

Figures in thousand of Euros

CURRENCY	ACTUARIAL LIABILITIES					
	DIRECT AND ACCEPTED INSURANCE (1)		CEDED AND RETROCEDED INSURANCE (2)		NET TOTAL (1)-(2)	
	2007	2006	2007	2006	2007	2006
Euro	1,069,863	1,047,738	461,962	449,200	607,902	598,539
US Dollar	266,341	274,005	49,710	52,879	216,631	221,127
Mexican Peso	34,791	22,986	10,335	3,460	24,456	19,526
Brazilian Real	2,885	1,777	199	157	2,686	1,620
Chilean Peso	98,248	42,289	7,209	4,684	91,039	37,604
Venezuelan Bolivar	37,459	24,477	1,499	792	35,960	23,685
Argentinean Peso	10,976	11,144	231	262	10,745	10,882
Colombian Peso	47,240	36,622	3,217	1,763	44,023	34,859
Pound Sterling	44,319	37,847	5,627	4,720	38,692	33,127
Canadian Dollar	7,645	3,982	454	305	7,191	3,677
Philippines Peso	3,454	3,118	455	335	2,999	2,784
Peruvian Sol	90	44	23	8	67	35
Other currencies	182,510	150,211	10,602	6,672	171,908	143,539
<b>TOTAL</b>	<b>1,805,821</b>	<b>1,656,241</b>	<b>551,523</b>	<b>525,237</b>	<b>1,254,298</b>	<b>1,131,004</b>

Figures in thousand of Euros

### 3. Property risk

MAPFRE has property assets representing approximately 3.88% of total investments and cash, of which approximately 1.93% corresponds to own offices. Said assets meet the double function of being an administration and sales support, as well as generating financial revenues and diversifying investments. This policy on tangible investments has allowed MAPFRE to realise gains in property when market circumstances make it advisable and, in addition, to count on unrealised gains that might be used to neutralise adverse risk situations for the Group in the future. Their detail is shown below:

CONCEPT	BOOK VALUE		MARKET VALUE	
	2007	2006	2007	2006
Property, plant and equipment investment	31,450	35,183	32,113	36,814
Property for own use	34,437	34,673	39,762	40,904
<b>TOTAL</b>	<b>65,887</b>	<b>69,856</b>	<b>71,875</b>	<b>77,718</b>

Figures in thousand of Euros

Therefore, unrealised property gains would offset a fall in property prices equivalent to approximately 8% of their market value.

### 4. Market risk

The following table shows the book value of equity securities and trust funds exposed to market risk and the Value at Risk (VaR) (maximum variation expected over a one year time horizon and for a 99% confidence level):

PORTFOLIO	BOOK VALUE	VAR
Available for sale	219,181	31%
Trading	30	-
<b>TOTAL</b>	<b>219,211</b>	<b>31%</b>

Figures in thousand of Euros

## 5. Implementation of proprietary capital models

During 2005, MAPFRE RE implemented its own capital model, which, by means of a stochastic process, determines the required solvency level according to the risks assumed by the entity.

This model forms part of an overall project consisting of implementing stochastic models at the MAPFRE Group, in order to comply with the future Solvency II European regulations. This pilot project will act as test for its latter extension to the other group entities.

The Capital model is based on the stochastic generation of projections of the company's annual accounts from the simulation of 10,000 different scenarios, applied taking into account the peculiarities of the premium portfolio and the investment mix and other assets mix within the entity; these scenarios are obtained by combining various financial and reinsurance business assumptions. From that basis, the distribution of probability of results is determined, as well as the required economic capital in order to ensure the entity's solvency with a 99.6% range of reliability in a time horizon of one year. Interim results obtained confirm the level of excellence in the entity's capitalisation, and at present they are being compared to other solvency estimation methods.

## 8. OTHER INFORMATION

### 8.1 Other details relating to the Board of Directors

The controlling Company's directors do not hold stakes in the capital of companies having the same, similar or complementary nature of activity to that of the controlling Company, nor carry out, either on their own behalf or on behalf of third parties, the same, similar or complementary activity to that of the Group companies' corporate object, with the following exceptions:

DIRECTOR	COMPANY	NUMBER OF SHARES/ STOCKS	OFFICE/POSITION
Mr. Ricardo Blanco	Ing Groep	15,432	-
	AXA	4,000	-
Mr. Pedro de Macedo	Munchener Rueck	225	-
Mr. Rolf Mehr	Vaudoise Assurances Holding	-	General Manager
Mr. George A. Prescott	Ecclesiastical Insurance Office Plc	-	Deputy Group Chief Executive
Mr. Domingo Sugranyes	Münchener Ruck	67	-
	Aegon NV	325	-
	Axa	142	-
	Fortis	200	-
	ING	440	-
	Cattolica Assicurazioni	100	Director
	BBVA	390	-
	BNP	105	-
	Banco Popular Español	563	-
	Banco Santander	210	-
	Société Générale	88	-
	Middlesea Insurance, plc, Malta	-	Director (authorised by MAPFRE S.A.)

The following table details the shares in MAPFRE S.A. held by the controlling Company's directors, as well as the boards of directors of MAPFRE GROUP entities of which they are members.

<b>MAPFRE GROUP</b>		
<b>DIRECTOR</b>	<b>ENTITIES WHEREIN THEY FORM PART OF THE BOARD OF DIRECTORS</b>	<b>NUMBER OF SHARES IN MAPFRE S.A.</b>
Mr. Ángel Alonso	MAPFRE EMPRESAS; MAPFRE AGROPECUARIA; MAPFRE CONSULTORES; MAPFRE AMERICA; MAPFRE AMERICA VIDA; MAPFRE ASISTENCIA; MAPFRE INTERNACIONAL	39,450
Mr. Ricardo Blanco	MAPFRE EMPRESAS; MAPFRE SEGUROS GENERALES; MAPFRE CAUCIÓN Y CRÉDITO; MAPFRE INTERNACIONAL	140,535
Mr. Andrés Jiménez Herradón	MAPFRE S.A.; MAPFRE AMERICA; MAPFRE AMERICA VIDA, MAPFRE INTERNACIONAL; MAPFRE AUTOMOVILES	11,873
Mr. Pedro de Macedo	MAPFRE EMPRESAS; C.I.A.R; MAPFRE RE HOLDINGS; REINSURANCE MANAGEMENT INC; MAPFRE SEGUROS GERAIS	7,523
Mr. Juan Antonio Pardo	MAPFRE ASISTENCIA	30,000
Mr. Agustín Rodríguez	MAPFRE S.A.; MAPFRE ASISTENCIA	2,023
Mr. Francisco Ruiz	MAPFRE, S.A.; MAPFRE VIDA; MAPFRE AUTOMOVILES; CCM VIDA Y PENSIONES	73
Mr. Matías Salva	MAPFRE S.A.; MAPFRE SEGUROS GENERALES; MAPFRE EMPRESAS	249,030
Mr. Domingo Sugranyes	CARTERA MAPFRE S. L.; MAPFRE S.A.; MAPFRE-CAJA MADRID HOLDING; MAPFRE CAJA SALUD; MAPFRE AMERICA; MAPFRE AMERICA VIDA; MAPFRE ASISTENCIA; MAPFRE INMUEBLES; MAPFRE INSULAR; MAPFRE QUAVITAE; MAPFRE INVERSIÓN DOS; MAPFRE INTERNACIONAL; MAPFRE VIDA PENSIONES	50,023
Mr. Gregorio Robles	MAPFRE INTERNACIONAL	-
Mr. Javier Fernández-Cid	MAPFRE INTERNACIONAL	-
Mr. Lorenzo Garagorri	-	25,000
Mr. Claudio Ramos	CONSTITUCIÓN Y LEYES; MAPFRE SEGUROS GERAIS; MAPFRE INTERNACIONAL	-

### 8.2 Fees earned by external auditors

The fees earned by external Auditors for their account auditing services amount to EUR 124,892 (EUR 272,642 in 2006). There is also an additional amount of EUR 140,738 for services related to account audits (EUR 86,423 in 2006) and EUR 32,023 (EUR 17,000 in 2006) for other complementary services provided by them, which figures are not considered to jeopardise the independence of auditors.

### 8.3 Environmental issues

The Group companies do not have any environmental related item that might be significant or should be specifically included in these consolidated annual accounts.

## 9. ADDITIONAL NOTE FOR ENGLISH TRANSLATION

These financial statements are presented by applying the International Financial Reporting Standards adopted by the European Union (I.F.R.S.). Consequently, certain practices applied by the company may not conform to generally accepted principles in other countries.





## SUBSIDIARIES AND ASSOCIATED COMPANIES 2007 (ANNEX I)

NAME	COUNTRY	TAX RATE	ACTIVITY
COMPAGNIE INTENATIONALE D'ASSURANCES ET DE REASSURANCES (CIAR)	45 , Rue de Treves Bruselas (Belgium)	34%	Insurance and Reinsurance
INVERSIONES IBÉRICAS LTDA	Ava. Apoquindo 4499-8° Santiago de Chile (Chile)	17%	Financial and Property
MAPFRE CHILE REASEGUROS S.A.	Avda Apoquindo 4499-8° Santiago de Chile (Chile)	17%	Reinsurance
INVERSIONES MAPFRE RE	Calle 72 10-07 oficina 502 , Bogota (Colombia)	35%	Securities and Property. Investments and management
MAPFRE RE HOLDINGS INC .	100 Campus Drive Florham Park New Jersey 07932-1006 (USA)	35%	Holding
F. ALCORTA S.A.	Bouchard 547 piso 14 Buenos Aires (Argentina)	35%	Property (in liquidation)
ITSEMAP SERVICIOS TECNOLOGICOS MAPFRE S.A.	Barbara de Braganza 14 Madrid (Spain)	35%	Consultancy
MAPFRE RE ASSESORIA LTDA	Rua São Carlos Do Pinhal 696 3° Andar São Paulo (Brazil)	15%	Consultancy
MAPFRE MANDATOS Y SERVICIOS S.A.	Bouchard 547 piso 14 Buenos Aires (Argentina)	35%	Services
MAPFRE INTERNET S.A.	Ctra de Pozuelo a Majadahonda nº 52 Madrid (Spain)	35%	IT Services
MAPFRE INFORMATICA A.I.E.	Ctra de Pozuelo a Majadahonda nº 52 Madrid (Spain)	35%	IT Services
VENEASISTENCIA C.A.	Avda. Libertador Penthouse A y B Caracas (Venezuela)	34%	Travel assistance
REINSURANCE MANAGEMENT INC.	100 Campus Drive Florham Park New Jersey 07932-1006 (USA)	35%	Insurance and Reinsurance
ITSEMAP BRASIL SERVICIOS TECNOLÓGICOS MAPFRE LTDA	Rua São Carlos Do Pinhal 696 3° Andar São Paulo (Brazil)	15%	Consultancy
ITSEMAP CHILE SERVICIOS TECNOLÓGICOS MAPFRE LTDA	Ava. Apoquindo 4499-8° Santiago de Chile (Chile)	17%	Consultancy
CAJA REASEGURADORA DE CHILE	Ava. Apoquindo 4499-8° Santiago de Chile (Chile)	17%	Reinsurance
MAPFRE CHILE SEGUROS, S.A.	Ava. Apoquindo 4499-8° Santiago de Chile (Chile)	17%	Holding
INMOBILIARIA COSTA DE MONTEMAR, S.A.	Ava. Apoquindo 4499-8° Santiago de Chile (Chile)	17%	Property
INMOBILIARIA TIRILLUCA, S.A.	Ava. Apoquindo 4499-8° Santiago de Chile (Chile)	17%	Property
ADMINISTRADORA DE PROPIEDADES	Napoleon 3096 Santiago de Chile (Chile)	17%	Property
COMERCIAL TURISMO, S.A.	Napoleon 3096 Santiago de Chile (Chile)	17%	Property
MAPFRE GARANTIAS Y CREDITO CIA DE SEGUROS S.A.	Isidora Goyenechea nº 3520 - Santiago de Chile (Chile)	17%	Warrants and Credits
C R ARGENTINA	Bouchard 547 piso 14 Buenos Aires (Argentina)	35%	Services, advisory services

Amounts in thousand of Euros

## CONSOLIDATION METHOD OR PROCEDURE

A Fully Consolidated Subsidiaries

B Associated and investee undertakings consolidated by the equity method

C Associated and investee undertakings excluded from consolidation

HOLDING%		END FINANCIAL YEAR 2007					CONSOLIDATION METHOD OR PROCEDURE
HOLDER	HOLDING %	ASSETS	EQUITY	REVENUES	RESULT IN THE YEAR		
• Mapfre Re • Maplux Re	99.9900% 0.0100%	19,316	8,933	2,561	479	A	
• Mapfre Re	99.9986%	19,779	19,575	1,984	1,062	A	
• Mapfre Re	99.9986%	89,309	38,675	6,553	-3,619	A	
• Mapfre Re • Inv.Ibéricas	94.9000% 5.0999%	2,506	2,302	1,848	1,387	A	
• Mapfre Re	100.0000%	622	14	1,281	684	A	
• Mapfre Re	99.9000%	8	8	0	0	C	
• Mapfre Re	39.9752%	5,065	3,004	6,653	256	B	
• Mapfre Re • Itsemap Brasil	99.9998% 0.0001%	45	29	138	17	C	
• Mapfre Re • Caja Re Arg.	99.0000% 0.9999%	180	112	746	20	C	
• Mapfre Re	1.0000%	26,369	24,028	11,540	190	C	
• Mapfre Re	1.0000%	23,859	1,000	72,702	0	C	
• Mapfre Re Hold	0.0020%	2,375	1,088		305	C	
• Mapfre Re Hold	100.0000%	622	14	0	0	A	
• Itsemap S.T.M. • M.R. Assesor	99.9792% 0.0208%	1,244	833	2,566	195	C	
• Itsemap S.T.M • Inv. Ibéricas	75.0000% 25.0000%	33	35	0	-1	C	
• Inv. M. Chile Re	99.8467%	77,691	30,404	5,144	3,077	A	
• Inv. M. Chile Re	0.0042%	22,119	29,276	428	-7,640	C	
• Inv. Ibéricas	31.4400%	21,074	19,888	2,122	1,637	B	
• Inv. Ibéricas	43.7500%	9,493	9,296	16	-124	B	
• Inv. Ibéricas	31.2900%	447	86	1,177	120	B	
• Inv. Ibéricas	31.2000%	68	-75	275	-18	B	
• Inv. Ibéricas	0.0077%	9,692	7,107	1,902	931	C	
• Inv. Ibéricas	99.9000%	114	97	5	0	A	

## SUBSIDIARIES AND ASSOCIATED COMPANIES 2006 (ANNEX I)

NAME	COUNTRY	TAX RATE	ACTIVITY
COMPAGNIE INTENATIONALE D'ASSURANCES ET DE REASSURANCES (CIAR)	45 , Rue de Treves Bruselas (Belgium)	34%	Insurance and Reinsurance
INVERSIONES IBÉRICAS LTDA	Ava. Apoquindo 4499-8° Santiago de Chile (Chile)	17%	Financial and Property
MAPFRE CHILE REASEGUROS S.A.	Avda Apoquindo 4499-8° Santiago de Chile (Chile)	17%	Reinsurance
INVERSIONES MAPFRE RE	Calle 72 10-07 oficina 502 , Bogota (Colombia)	35%	Securities and Property. Investments and management
MAPFRE RE HOLDINGS INC .	100 Campus Drive Florham Park New Jersey 07932-1006 (USA)	35%	Holding
F. ALCORTA S.A.	Bouchard 547 piso 14 Buenos Aires (Argentina)	35%	Property (in liquidation)
ITSEMAP SERVICIOS TECNOLOGICOS MAPFRE S.A.	Barbara de Braganza 14 Madrid (Spain)	35%	Consultancy
MAPFRE RE ASSESORIA LTDA	Rua São Carlos Do Pinhal 696 3º Andar São Paulo (Brazil)	15%	Consultancy
MAPFRE MANDATOS Y SERVICIOS S.A.	Bouchard 547 piso 14 Buenos Aires (Argentina)	35%	Services
MAPFRE COMPAÑÍA DE SERVICIOS GENERALES S.A.	Junior Tarata 16 piso B- Lima (Peru)	30%	Consultancy
MAPFRE INTERNET S.A.	Ctra de Pozuelo a Majadahonda nº 52 Madrid (Spain)	35%	IT Services
MAPFRE INFORMATICA A.I.E.	Ctra de Pozuelo a Majadahonda nº 52 Madrid (Spain)	35%	IT Services
VEASISTENCIA C.A.	Avda. Libertador Penthouse A y B Caracas (Venezuela)	34%	Travel assistance
MAPFRE REINSURANCE CORPORATION	100 Campus Drive Florham Park New Jersey 07932-1006 (USA)	35%	Insurance and Reinsurance
REINSURANCE MANAGEMENT INC.	100 Campus Drive Florham Park New Jersey 07932-1006 (USA)	35%	Insurance and Reinsurance
ITSEMAP BRASIL SERVICIOS TECNOLÓGICOS MAPFRE LTDA	Rua São Carlos Do Pinhal 696 3º Andar São Paulo (Brazil)	15%	Consultancy
ITSEMAP CHILE SERVICIOS TECNOLÓGICOS MAPFRE LTDA	Ava. Apoquindo 4499-8° Santiago de Chile (Chile)	17%	Consultancy
CAJA REASEGURADORA DE CHILE	Ava. Apoquindo 4499-8° Santiago de Chile (Chile)	17%	Reinsurance
MAPFRE CHILE SEGUROS, S.A.	Ava. Apoquindo 4499-8° Santiago de Chile (Chile)	17%	Holding
INMOBILIARIA COSTA DE MONTEMAR, S.A.	Ava. Apoquindo 4499-8° Santiago de Chile (Chile)	17%	Property
INMOBILIARIA TIRILLUCA, S.A.	Ava. Apoquindo 4499-8° Santiago de Chile (Chile)	17%	Property
ADMINISTRADORA DE PROPIEDADES	Napoleon 3096 Santiago de Chile (Chile)	17%	Property
COMERCIAL TURISMO, S.A.	Napoleon 3096 Santiago de Chile (Chile)	17%	Property
C R ARGENTINA	Bouchard 547 piso 14 Buenos Aires (Argentina)	35%	Services, advisory services

Amounts in thousand of Euros

## CONSOLIDATION METHOD OR PROCEDURE

A Fully Consolidated Subsidiaries

B Associated and investee undertakings consolidated by the equity method

C Associated and investee undertakings excluded from consolidation

HOLDING%		END FINANCIAL YEAR 2007					CONSOLIDATION METHOD OR PROCEDURE
HOLDER	HOLDING %	ASSETS	EQUITY	REVENUES	RESULT IN THE YEAR		
Mapfre Re Maplux Re	99.9900% 0.0100%	20,905	9,725	2,419	503	A	
Mapfre Re	99.9986%	22,819	22,083	865	309	A	
Mapfre Re	99.9986%	100,257	41,560	6,965	896	A	
Mapfre Re Inv.Ibéricas	94.9000% 5.0999%	1,115	1,107	193	45	A	
Mapfre Re	100.0000%	61,419	38,487	496	2,381	A	
Mapfre Re	99.9000%	9	9	0	0	C	
Mapfre Re	39.9752%	6,152	2,747	6,022	348	B	
Mapfre Re Itsemap Brasil	99.9998% 0.0001%	19	11	58	-11	C	
Mapfre Re Caja Re Arg.	99.0000% 0.9999%	178	64	573	-14	C	
Mapfre Re Inv.Ibéricas	98.0000% 1.0000%	12	12	0	-27	C	
Mapfre Re	1.0000%	24,886	23,838	7,702	181	C	
Mapfre Re	1.0000%	15,479	1,000	44,835	0	C	
Mapfre Re Hold	0.0020%	1,715	730	1,240	381	C	
Mapfre Re Hold	100.0000%	61,357	37,808	496	2,381	A	
Mapfre Re Hold	100.0000%	1	1	0	0	A	
Itsemap S.T.M. M.R. Asesor	99.9792% 0.0208%	965	585	1,783	32	C	
Itsemap S.T.M Inv. Ibéricas	75.0000% 25.0000%	34	34	0	0	C	
Inv. M. Chile Re	99.8467%	94,187	27,305	4,564	1,581	A	
Inv. M. Chile Re	0.0042%	81,077	15,835	167,605	7,519	C	
Inv. Ibéricas	31.4400%	17,713	17,685	816	40	B	
Inv. Ibéricas	43.7500%	9,082	9,061	30	-93	B	
Inv. Ibéricas	31.2900%	440	20	977	55	B	
Inv. Ibéricas	31.2000%	87	-60	244	-22	B	
Inv. Ibéricas	99.9000%	113	101	1	-2	A	



Audit  
Report 2007

## AUDIT REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

Translation of a report and consolidated annual accounts originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (See Note 9)

To the Shareholders of  
MAPFRE RE, Compañía de Reaseguros, S.A.

1. We have audited the consolidated annual accounts of MAPFRE RE, Compañía de Reaseguros, S.A. and its subsidiaries (the Group), which comprise the consolidated balance sheet at December 31, 2007, the consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity and the notes thereto for the year then ended, the preparation of which is the responsibility of the Parent Company's directors. Our responsibility is to express an opinion on the aforementioned consolidated annual accounts taken as a whole, based upon work performed in accordance with auditing standards generally accepted in Spain, which require the examination, through the performance of selective tests, of the evidence supporting the annual accounts, and the evaluation of their presentation, of the accounting principles applied, and of the estimates made.

2. In accordance with mercantile law, for comparative purposes the Parent Company's directors have included for each of the captions included in the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity, consolidated cash flow statement, and the notes thereto, in addition to the figures of 2007, those of 2006. Our opinion refers only to the consolidated annual accounts for 2007. On March 5, 2007 we issued our audit report on the 2006 consolidated annual accounts, in which we expressed an unqualified opinion.

3. The Parent Company and some of its subsidiaries have performed significant transactions with other MAPFRE GROUP companies. Information about these transactions is given in the Note 6.22 to the accompanying consolidated financial statements.

4. In our opinion, the accompanying 2007 consolidated annual accounts give a true and fair view, in all material respects of the equity and financial position of MAPFRE RE, Compañía de Reaseguros, S.A. and its subsidiaries at December 31, 2007 and the consolidated results of its operations, changes in consolidated equity, and consolidated cash flow for the year then ended and contain the required information necessary for their adequate interpretation and comprehension, in conformity with the international financial reporting standards adopted by the European Union which are consistent with those applied to the figures and information corresponding to the 2006 consolidated financial statements.



5. The accompanying consolidated management report for the year ended December 31, 2007 contains such explanations as the Parent Company's directors consider appropriate concerning the situation of MAPFRE RE, Compañía de Reaseguros, S.A. and its subsidiaries, the evolution of their business and other matters, and is not an integral part of the consolidated annual accounts. We have checked that the accounting information included in the consolidated management report mentioned above agrees with the consolidated annual accounts for the year ended December 31, 2007. Our work as auditors is limited to verifying the consolidated management report in accordance with the scope mentioned in this paragraph, and does not include the review of information other than that obtained from the accounting records of the consolidated companies.

ERNST & YOUNG, S.L.

(Signed in original issued  
in Spanish language)

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Fernando Pindado Cardona

March 6, 2008



# Individual management report 2007

## EVOLUTION OF BUSINESS

- MAPFRE RE ended the 2007 financial year with a remarkable increase in revenues and a positive result that may be considered as very satisfactory. MAPFRE RE maintained its commitment to the markets, supported by its financial ratings, which allowed it to continue with its expansion and consolidation process while widening its perspectives for the future.

### Income Statement

- Earned **premiums** amount to € 1,605.7 million, representing an increase of 9.4% with respect to those recorded in the previous year. Net earned premiums amounted to € 1,066.5 million, namely, they represent a 6.5% increase with respect to the previous year.
- The **combined ratio**<sup>1</sup> of the total life and non-life business stood at 92.7%, lower than the 97.0% recorded in the previous year, showing the decreased ratio of commissions paid due to an increase in the non-proportional business and a slight increase in claims, excluding the stabilisation provision.
- **Claims** to net earned premiums amounts to 61.6%, slightly lower than the previous year's figure.
- **Commissions and other acquisition expenses** represented 31.0% of net earned premiums, below the previous year's percentage, which stood at 32.8%, with the decrease being due to less commissions paid on accepted business. **Management expenses** stand at 3.5% of net earned premiums, slightly above the previous year's figure of 3.3%.
- **Underwriting results** amount to € 67.6 million, which compares to the previous year's figure of € 21.1 million.
- **Net financial revenues** amount to € 66.7 million, higher than those obtained in the previous year, which amounted to € 44.8 million.
- The **Income Statement** shows a result of € 133.2 million before taxes and minority interests, and a **net profit** of € 91.8 million after taxes and minority interests. These figures represent increases of 98.6% and 107.3%, respectively, compared to the previous year.

(1) The combined ratio stated by MAPFRE relates only to the Non-Life business.

## BALANCE SHEET

- **Shareholders' equity** registered an increase of 16.0% with respect to the previous year, amounting to € 634.6 million.
- Net **technical provisions** reach the figure of € 1,268.1 million, representing 118.9% of retained premiums and exceeding by 12.7% those established in the previous year.
- **Investments** total € 1,839.3 million, of which € 30.0 million in tangible investments, € 1,772.3 in financial investments and € 37.0 million in investments in group companies.
- **Cash and banks and other liquid assets** amount to € 31.7 million.
- **Total consolidated assets** amount to € 2,763.7 million, compared to € 2,514.5 million in the preceding year, representing an increase of 9.9%.

## MAIN ACTIVITIES

- The new branch in Munich (Germany) successfully started its operations, meeting the production budgets established in its business plan. The German, Austrian and Eastern European portfolio is being developed from the Munich branch.
- MAPFRE RE's proprietary capital model was developed, as well as its application to risk management and business selection and underwriting. In addition, several business underwriting tools for proportional, non-proportional, facultative, life and non-life business were extended and improved. The new "Condor" IT management system was successfully implemented at the beginning of the year, and during 2007 some of its applications were improved and some new ones were introduced. Furthermore, a system security audit is being carried out.
- In the context of the restructuring process carried out in the US market, and after the transfer of its business to MAPFRE RE (Spain), MAPFRE REINSURANCE CORPORATION (MRC) was sold to MAPFRE USA, an entity owned by the MAPFRE INTERNACIONAL holding.
- MAPFRE RE continued with the process to consolidate the structure and placement of automatic corporate reinsurance programmes for the MAPFRE Group, a process which is also being joined by the entities recently acquired by MAPFRE INTERNACIONAL, thus paying attention to the Group's overall needs.
- The policy on services to clients was intensified, including, in particular, holding an International Reinsurance Seminar in Madrid, attended by representatives from entities in Spain, Portugal and Latin America. Two Life seminars were held in Latin America, and ITSEMAP taught several courses in Europe, Asia and Latin America. TRÉBOL continued publishing technical articles in its pages as well as interviews

with industry professionals. This publication allows keeping a major and regular link with our clients worldwide.

- Several in-house training courses took place, addressed to the entity's technical staff. These particularly include the course taught in Buenos Aires for facultative business underwriters, where a new risk quoting tool was introduced.
- Rating agencies valued very positively the entity's management capacity and solvency in their last review. Standard and Poor's maintains its AA rating, with stable outlook and A.M. Best rates the entity as A+, with stable outlook. Both ratings are among the highest in the market.
- 2007 witnessed the celebration of the 25<sup>th</sup> anniversary of the creation of the entity, with several events for local clients in the European, American and Asian offices. These commemorations culminated with three important events, the first one held in Monte Carlo, addressed to international clients, brokers and retrocessionaires of MAPFRE RE, the second one in Madrid, with Group clients and senior managers, and the third one in Guayaquil (Ecuador), together with a high number of clients, in the framework of the Insurance Hemispheric Conference.

## INFORMATION ON SUBSIDIARIES

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CAJA REASEGURADORA DE CHILE, with shareholders' equity amounting to € 58.3 million, registered in 2007 a negative pre-tax result of € 2.1 million, owing to the increase in mathematical reserves due to regulatory changes.

## EVENTS AFTER THE BALANCE SHEET DATE

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Until the time of closing this report, there have been no significant occurrences that might have an impact on the outlook or the budgets for the current year.

There have been no events after the balance sheet date that may have an impact on the financial statements as at 31 December 2007.

## OUTLOOK

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During the recent renewal campaign, strong competition has been observed in tariffs and conditions, transformation of proportional into non-proportional programmes, and increased retention by insurance companies, all enlivened by a year when, in spite of there being a greater frequency of catastrophe claims, their intensity was relatively modest. Due to these reasons, large growth in business volumes is not expected.

In 2008, MAPFRE RE will continue to develop its business portfolio prudently in markets and lines with growth potential and expected positive results, in an increasingly competitive environment.

## ECONOMIC AND FINANCIAL INFORMATION

### SUMMARISED BALANCE SHEETS

ASSETS	2007	2006	2005	LIABILITIES	2007	2006	2005
Intangible assets and start-up expenses	3.1	3.1	2.6	Capital and reserves	542.8	502.6	462.6
				Net result for the year	91.8	44.3	2.4
				Deferred revenues	0.0	0.0	2.4
Investments	1,839.3	1,651.7	1,485.4				
Participation of reinsurance in technical provisions	554.0	527.4	538.4	Technical provisions	1,822.2	1,652.3	1,483.6
				Provisions for risks and expenses	1.3	1.0	0.6
Credits and receivables	173.3	154.3	109.9	Deposits received on ceded reinsurance	130.7	144.4	135.1
Other assets	33.7	33.6	41.0	Other liabilities	82.9	91.1	76.1
Accruals	160.3	144.4	123.4	Accruals	92.0	78.8	62.6
<b>TOTAL ASSETS</b>	<b>2,763.7</b>	<b>2,514.5</b>	<b>2,300.7</b>	<b>TOTAL LIABILITIES</b>	<b>2,763.7</b>	<b>2,514.5</b>	<b>2,300.7</b>

Figures in million Euros

### INCOME STATEMENT

CONCEPT	2007	2006	2005
Booked premiums, gross	1,605.7	1,467.4	1,290.9
Booked premiums, net	1,066.5	1,001.5	866.9
Earned premiums, net	1,005.7	883.6	785.29
Claims incurred, net	(619.4)	(567.5)	(493.9)
Commission related expenses, net	(283.2)	(267.1)	(225.5)
Management expenses	(35.4)	(27.9)	(24.8)
<b>Underwriting result</b>	<b>67.7</b>	<b>21.1</b>	<b>41.1</b>
Net revenues from investments	66.7	44.8	73.3
Extraordinary results	(1.1)	1.2	0.2
Pre-tax result	133.3	67.1	114.6
<b>Net result</b>	<b>91.8</b>	<b>44.3</b>	<b>77.7</b>

Figures in million Euros.

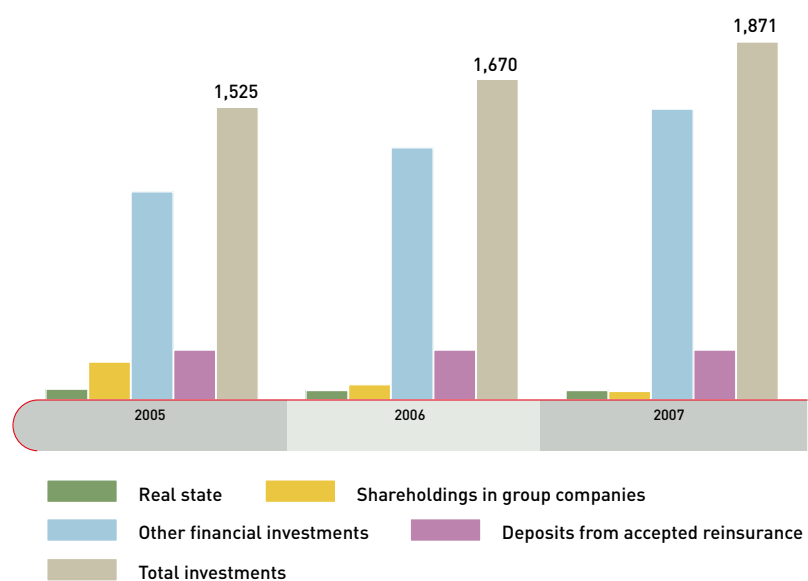
The underwriting result includes the variation in the stabilisation reserve.

CONCEPT	ASSETS		
	2007	2006	2005
Tangible investments	30.0	30.2	30.6
Shareholdings in group companies	37.0	73.2	173.3
Other financial investments	1,506.7	1,284.5	1,035.9
Deposits from accepted reinsurance	265.6	263.8	245.5
Cash and banks	31.7	18.8	39.7
<b>TOTAL INVESTMENTS AND CASH</b>	<b>1,871.0</b>	<b>1,670.5</b>	<b>1,525.0</b>

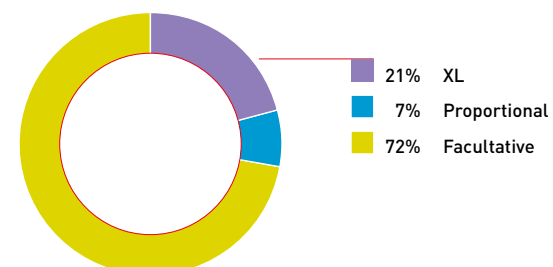
Figures in million Euros

## ASSETS

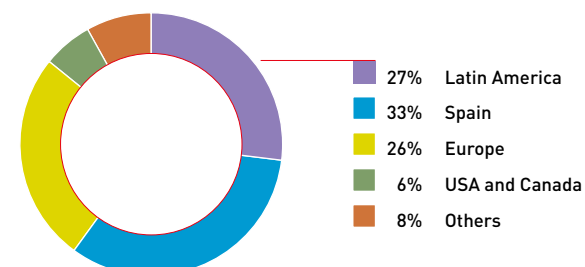
Figures in million Euros



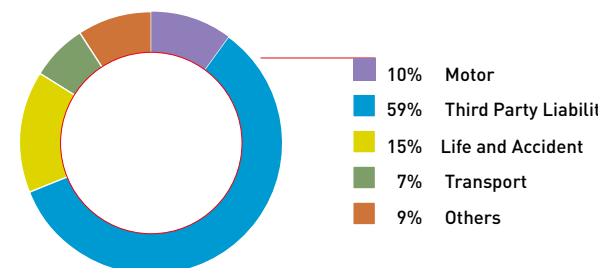
## PORTFOLIO MIX PER TYPE OF BUSINESS



## PORTFOLIO MIX PER GEOGRAPHICAL AREA



## PORTFOLIO MIX PER LINE



#### OTHER SIGNIFICANT DETAILS

	2007	2006	2005
% retention	66.4	68.2	67.2
% reserves to net premiums	118.9	112.3	109.3
% claims to earned premiums, net <sup>(1)</sup>	61.0	59.7	66.6
% commission related expenses to net earned premiums	27.5	30.2	28.4
% management expenses to net earned premiums	3.5	3.2	2.9
% combined ratio	92.0	93.1	97.9
% Return on Equity (ROE)	15.6	8.0	14.8

(1) Claims, before stabilisation provision.

## ADDITIONAL NOTES

### Environment

MAPFRE's commitment to environment hinges on three pillars: integrating environmental criteria into the development of its business, environmental management, and promotion of environmental responsibility. Along this line, MAPFRE, in addition to assuming the environmental commitments established in the UN Global Compact, is member of the United Environmental Program Financial Initiative (UNEP FI), established for financial and insurance companies, which is promoted by the UN Program for Environment; and it has signed cooperation agreements with significant public bodies in relation to water savings and energy efficiency.

MAPFRE maintains a coordinated policy of Environmental care for the entire Group. During 2007, decisive progress was made in shaping a model capable of better integrating the various components of Safety and Environment, which operates under the principles of centralised management and decentralised implementation, in order to effectively and efficiently satisfying the requirements arising from compliance with the legal regulations, and the efficient protection of people, assets and business. In this respect, major milestones have been reached, and other projects are being developed that represent major challenges due to their complexity, the schedule for their implementation or the number of partners affected at the time of achieving the pursued results. MAPFRE's Corporate Responsibility Report provides extensive information on the Group's environmental policy and management.

### Staff

The staff rendering their services to the company in Spain has the following structure divided by professional categories:

CATEGORY	2007	2006	2005
Managerial	49	41	39
Clerical	50	57	47
Marketing	-	-	-
Others	25	25	25
<b>Total</b>	<b>124</b>	<b>123</b>	<b>111</b>

### Investments

As to financial investments, MAPFRE RE's policy to mitigate its exposure to this type of risks is based on a prudent investment policy, with most of the portfolio consisting of fixed income securities.

With respect to credit risk, MAPFRE RE's policy is based on prudence (issuer's solvency) and diversification. Thus, its fixed income portfolio consists mostly of securities with high credit ratings.

Diversification criteria are applied, in relation to both fixed income and equity investments, by activity sector and maximum risk limits per issuer.







# Individual annual accounts 2007

## BALANCE SHEET AS AT 31 DECEMBER 2007 AND 2006

<b>ASSETS</b>	<b>2007</b>	<b>2006</b>
<b>A) Shareholders, uncalled capital</b>		
<b>B) Intangible assets, start-up expenses and deferred expenses</b>	<b>3,079</b>	<b>3,105</b>
B. I. Start-up expenses	727	1,266
Capital increase expenses	727	1,266
B. II. Intangible fixed assets	2,214	1,801
Other intangible fixed assets	3,885	2,814
Accumulated amortisation (to be deducted)	(1,671)	(1,013)
B. III. Deferred expenses	138	38
Other expenses	138	38
<b>C) Investments</b>	<b>1,839,284</b>	<b>1,651,745</b>
C. I. Investment Property	29,963	30,285
Land and building	31,801	31,801
Accumulated depreciation (to be deducted)	(1,838)	(1,516)
C. II. Financial investments in Group cos. and associated undertakings	36,981	73,180
Shareholdings in Group companies	39,796	80,958
Shareholdings in associated undertakings	840	840
Provisions (to be deducted)	(3,655)	(8,618)
C. III. Other financial investments	1,506,741	1,284,514
Financial investments in capital	135,887	96,225
Fixed income securities	1,118,487	981,714
Index linked securities	10,586	14,176
Units held in investment funds	67,966	65,326
Deposits with credit institutions	174,333	128,081
Other financial investments	113	109
Provisions (to be deducted)	(631)	(1,117)
C. IV. Deposits established on accepted reinsurance	265,599	263,766
<b>D) Investments on account of policy holders</b>		
<b>D) (bis) Participation of reinsurance in technical provisions</b>	<b>554,024</b>	<b>527,399</b>
Provisions for unearned premiums	333,692	284,732
Provisions for life insurance	12,597	7,790
Provisions for claims	207,735	234,877
<b>E) Credits</b>	<b>173,313</b>	<b>154,306</b>
E. II. Receivables from reinsurance transactions	162,661	142,775
Group companies and associated undertakings	70,932	61,039
Others	91,729	81,736
E. V. Tax, corporate and other credits	12,497	12,703
Others	12,497	12,703
E. VI. Provisions (to be deducted)	(1,845)	(1,172)
<b>F) Other assets</b>	<b>33,674</b>	<b>33,505</b>
F. I. Property, plant and equipment	1,259	1,504
Tangible fixed assets	4,115	3,980
Accumulated depreciation (to be deducted)	(2,856)	(2,476)
F. II. Cash and banks, cheques and cash on hand	31,716	18,783
F. IV. Other assets	699	13,218
Group companies and associated undertakings	699	13,218
<b>G) Accrual adjustments</b>	<b>160,329</b>	<b>144,422</b>
Interest accrued but not yet due	21,930	20,418
Commissions and other acquisition expenses	138,399	124,004
<b>TOTAL ( A+B+C+D+E+F+G )</b>	<b>2,763,703</b>	<b>2,514,482</b>

*(Amounts in thousand of Euros)*

## BALANCE SHEET AS AT 31 DECEMBER 2007 AND 2006

LIABILITIES	2007	2006
<b>A) Capital and reserves</b>	<b>634,593</b>	<b>546,861</b>
A. I. Share capital	223,916	223,916
A. II. Share premium	220,565	220,565
A. IV. Reserves	28,318	23,892
Legal reserve	28,318	23,892
A. VI. Results from previous years pending application	70,043	66,008
Brought-forward	70,043	66,008
A. VII. Result for the year	91,751	12,480
Profits and loss	91,751	44,262
Interim dividend (to be deducted)		(31,782)
<b>A) (bis) Deferred income</b>		
<b>B) Subordinated liabilities</b>		
<b>C) Technical provisions</b>	<b>1,822,173</b>	<b>1,652,332</b>
Provisions for unearned premiums and for risks in progress	915,182	808,842
Provisions for life insurance	77,939	69,711
Provisions for claims	765,749	716,709
Stabilisation provisions	63,303	57,070
<b>D) Provisions on account of policy holders</b>		
<b>E) Provisions for risks and expenses</b>	<b>1,279</b>	<b>947</b>
Provisions for pensions and similar obligations	116	99
Other provisions	1,163	848
<b>F) Deposits received on ceded reinsurance</b>	<b>130,678</b>	<b>144,414</b>
<b>G) Debt</b>	<b>82,944</b>	<b>91,096</b>
<b>GII, Due on reinsurance transactions</b>	<b>75,294</b>	<b>80,013</b>
G. VIII. Other debt	7,650	11,083
Due to group companies and associated undertakings	4,156	3,416
Tax, corporate and other debts	3,494	7,667
<b>H) Accrual adjustments</b>	<b>92,036</b>	<b>78,832</b>
<b>TOTAL ( A+B+C+D+E+F+G+H )</b>	<b>2,763,703</b>	<b>2,514,482</b>

*(Amounts in thousand of Euros)*

**INCOME STATEMENT AS AT 31 DECEMBER 2007 AND 2006**

<b>I. TECHNICAL ACCOUNT NON-LIFE INSURANCE</b>	<b>2007</b>	<b>2006</b>
<b>I.1. Premiums in the year (net of reinsurance)</b>	<b>904,573</b>	<b>802,292</b>
Earned premiums	1,482,481	1,366,369
Accepted reinsurance	1,482,481	1,366,369
Premiums from retroceded reinsurance (-)	(520,528)	(454,425)
Var. in prov. for unearned premiums and risks in progress (R,AC)	(106,340)	(166,100)
Var. in prov. for unearned premiums and risks in progress (R,RT)	48,960	56,448
<b>I. 2. Revenues from investments</b>	<b>142,765</b>	<b>121,173</b>
Revenues from financial investments	125,253	116,837
Revenues from financial investments	119,053	111,192
Other financial revenues	6,200	5,645
Adjustments in investment valuations	884	
From financial investments	884	
Gains from realised investments	16,628	4,336
From financial investments	16,628	4,336
<b>I.3. Other technical revenues</b>		
<b>I.4. Claims in the year, net of reinsurance</b>	<b>(543,093)</b>	<b>(472,977)</b>
Claims and expenses paid:	(482,642)	(455,671)
Accepted reinsurance	(699,703)	(754,178)
Ceded reinsurance	217,061	298,507
Variation in provision for claims ( + or - )	(60,082)	(16,912)
Accepted reinsurance	(32,677)	51,848
Ceded reinsurance	(27,405)	(68,760)
Claims related expenses	(369)	(394)
<b>I.5. Variation in other technical prov. (net of reinsurance)</b>		
<b>I.6. Sharing in profits and returns</b>		
<b>I.7. Net operating expenses</b>	<b>(286,886)</b>	<b>(270,682)</b>
Acquisition expenses	(383,765)	(360,006)
Administration expenses	(8,527)	(6,599)
Commissions and partic. From retroceded reinsurance	105,406	95,923

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<b>I. TECHNICAL ACCOUNT NON-LIFE INSURANCE</b>	<b>2007</b>	<b>2006</b>
<b>I. 8. Variation in stabilisation provision</b>	<b>(6,233)</b>	<b>(40,071)</b>
<b>I. 9. Other technical expenses</b>	<b>(673)</b>	<b>(6)</b>
Variation in provisions for insolvencies	(673)	(6)
<b>I. 10. Expenses from investments</b>	<b>(86,345)</b>	<b>(77,402)</b>
Investment management expenses	(78,627)	(74,082)
Expenses from investments and financial accounts	(78,627)	(74,082)
Value adjustments in investments	(799)	(1,216)
Depreciation of investment property	(289)	(286)
In provisions fro financial investments	(510)	(930)
Losses from investments	(6,919)	(2,104)
From financial investments	(6,919)	(2,104)
<b>I. 11. Subtotal (Result from tech. account Non-life insurance)</b>	<b>124,108</b>	<b>62,327</b>

(Amounts in thousand of Euros)

## INCOME STATEMENT AS AT 31 DECEMBER 2007 AND 2006

II. TECHNICAL ACCOUNT LIFE INSURANCE	2007	2006
<b>II. 1. Premiums in the year (net of reinsurance)</b>	<b>101,120</b>	<b>81,241</b>
Earned premiums:	123,224	101,019
Accepted reinsurance	123,224	101,019
Premiums from retroceded reinsurance ( - )	(18,683)	(11,485)
Var. in prov. for unearned premiums and risks in progress (R,AC)	(8,228)	(9,921)
Var. in prov. for unearned premiums and risks in progress (R,RT)	4,807	1,628
<b>II. 2. Revenues from investments</b>	<b>12,852</b>	<b>11,853</b>
Revenues from financial investments	11,241	11,466
Revenues from financial investments	10,451	10,964
Other financial revenues	790	502
Application of correc. of value of revenues	81	
From financial investments	81	
Gains from realised investments	1,530	387
From financial investments	1,530	387
<b>II. 3. Unrealised gains from investments</b>		
<b>II. 4. Other technical revenues</b>		
<b>II. 5. Claims in the year, net of reinsurance</b>	<b>(70,623)</b>	<b>(54,918)</b>
Claims and expenses paid:	(54,418)	(50,086)
Accepted reinsurance	(63,072)	(57,487)
Ceded reinsurance ( - )	8,654	7,401
Variation in provision for claims ( + or - )	(16,101)	(4,781)
Accepted reinsurance	(16,364)	(4,463)
Ceded reinsurance	263	(318)
Claims related expenses	(104)	(51)
<b>II. 6. Variation in other technical prov. (net of reinsurance)</b>		
<b>II. 7. Sharing in profits and returns</b>		

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(Continued from the previous page)

<b>II. TECHNICAL ACCOUNT LIFE INSURANCE</b>	<b>2007</b>	<b>2006</b>
<b>II. 8. Net operating expenses</b>	<b>(24,336)</b>	<b>(18,671)</b>
Acquisition expenses:	(23,987)	(18,420)
Administration expenses	(1,003)	(761)
Commissions and partic. From retroceded reinsurance	654	510
<b>II. 9. Other technical expenses</b>		
<b>II. 10. Expenses from investments</b>	<b>(8,583)</b>	<b>(6,920)</b>
Investment management expenses	(7,845)	(6,613)
Expenses from investments and financial accounts	(7,845)	(6,613)
b) Value adjustments in investments	(103)	(121)
Depreciation of investment property	(33)	(36)
In provisions fro financial investments	(70)	(85)
c) Losses from investments	(635)	(186)
From financial investments	(635)	(186)
<b>II.11. Unrealised losses from investments</b>		
<b>II. 12. Subtotal (Result from tech. account life insurance)</b>	<b>10,430</b>	<b>12,585</b>

(Amounts in thousand of Euros)

## INCOME STATEMENT AS AT 31 DECEMBER 2007 AND 2006

<b>III. NON TECHNICAL ACCOUNT</b>	<b>2007</b>	<b>2006</b>
<b>III. 1. Result from the technical account - Non-Life Insurance</b>	<b>124,108</b>	<b>62,327</b>
<b>III. 2. Result from the technical account - Life Insurance</b>	<b>10,430</b>	<b>12,585</b>
<b>III 3. Revenues from investments</b>	<b>19,918</b>	<b>16,276</b>
Revenues from financial investments	14,346	14,822
Financial revenues from group companies and assoc. undertakings	4,495	3,517
Revenues from financial investments	7,903	8,267
Other financial investments	1,948	3,038
Adjustments in investment valuations	181	
Gains from realised investments	5,391	1,454
<b>III. 4. Expenses from investments</b>	<b>(15,589)</b>	<b>(21,456)</b>
Investment management expenses	(14,387)	(12,113)
Expenses from investments and financial accounts	(14,387)	(12,113)
Value adjustments in investmentss	(55)	(3,963)
In provisions for financial investments	(55)	(3,963)
Losses from investments	(1,147)	(5,380)
<b>III. 5. Other revenues</b>	<b>45</b>	<b>37</b>
<b>III. 6. Other expenses</b>	<b>(4,543)</b>	<b>(3,927)</b>
<b>III. 7. Extraordinary revenues</b>	<b>273</b>	<b>1,221</b>
<b>III. 8. Extraordinary expenses</b>	<b>(1,400)</b>	<b>(9)</b>
<b>III. 9. Tax on profits</b>	<b>(41,491)</b>	<b>(22,792)</b>
<b>III. 10. Result for the year</b>	<b>91,751</b>	<b>44,262</b>

*(Amounts in thousand of Euros)*



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