

2008
Annual Report

MAPFRE RE



MAPFRE

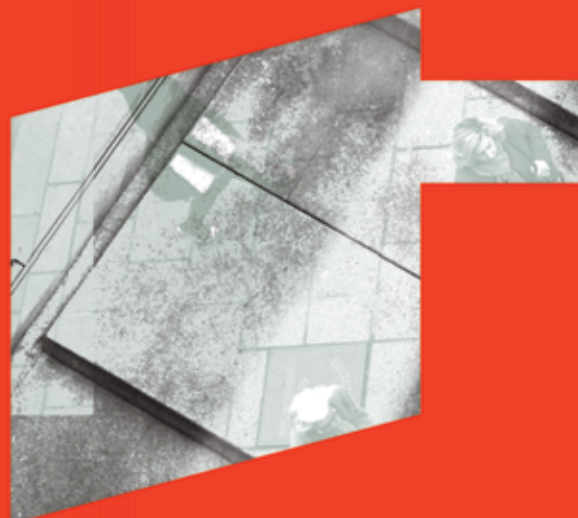




Contents

GOVERNANCE BODIES	4
CONSOLIDATED MANAGEMENT REPORT 2008	6
The reinsurance market	7
Main activities	7
Subsidiaries	8
Subsequent events	8
Outlook	8
Resolutions proposed	8
Economic and statistical information	9
Additional notes	11
CONSOLIDATED ANNUAL ACCOUNTS 2008	13
Consolidated balance sheet	14
Consolidated balance sheet	16
Consolidated statement of changes in equity	17
Consolidated cash flow statement for years	18
Financial information by segments	19
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FISCAL YEAR 2008	23
AUDITOR'S REPORT ON CONSOLIDATED ANNUAL ACCOUNTS 2008	79
INDIVIDUAL MANAGEMENT REPORT 2008	82
Business evolution	83
Main activities	83
Subsidiaries	84
Events after the balance sheet date	84
Outlook	84
Additional notes	85
INDIVIDUAL ANNUAL ACCOUNTS 2008	87
Balance sheet	88
Income statement	92
Statement of changes in equity	97
Cash flow statement	100
REINSURANCE BUSINESS UNIT COMPANIES	102

GOVERNANCE BODIES



Governance Bodies *

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		
	Mr. Ricardo Blanco		
	Mr. José Carlos Contreras		
	Mr. Javier Fernández-Cid	Member	
	Mr. Lorenzo Garagorri		
	Mrs. Amparo Larrondo **		
	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. Claudio Ramos	Member	
	Mr. Ermanno Rho***		
	Mr. Gregorio Robles		Member
	Mr. Agustín Rodríguez	Member	Member
	Mr. Francisco Ruiz		Member
	Mr. Rafael Senén		
Mr. Domingo Sugranyes	Member		
SECRETARY	Mr. Miguel Gómez	Secretary	

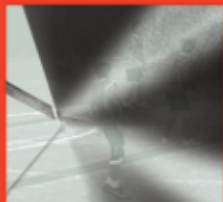
Including the appointments and reappointments that will be proposed to the General Shareholders Meeting

*Representing PARTICIPACIONES Y CARTERA DE INVERSIÓN, S.L.

**Representing MEDIACIÓN Y DIAGNÓSTICOS, S.A.

***Representing SOCIETÀ CATTOLICA DI ASSICURAZIONE

CONSOLIDATED
MANAGEMENT REPORT
2008



The reinsurance market

The international reinsurance market evolved very irregularly during fiscal year 2008. The first semester characterised by acceptable results, as well as a decrease in written premium income due to intensified competition.

Conversely, during the second semester a significant deterioration of results was observed, due to the combination of greater impact of CAT losses and strong losses in the investment portfolios. Regarding this first aspect, there has been an increase in the number and strength of hurricanes with respect to 2007, including particularly the Ike, which affected several areas in the US, causing very serious losses amounting to some USD 20 billion. With respect to financial investments, there has been a significant stock market decline in equities and fixed-income securities, due, among other reasons, to the severe problems certain financial institutions experienced and a noticeable deterioration of the situation and the macroeconomic prospects.

The reinsurance market is not immune to these turbulences and several operators are likely to record poor or even negative results for 2008, along with a decrease in revenues and in shareholders' funds. On top of this there is the difficulty to raise funds and the high cost of money.

In this market context, the prices and conditions of coverage are likely to tighten as a result of the decline in the volume of capital available to the industry as a whole.

MAPFRE RE registered an outstanding increase in premiums and revenues, as well as excellent results, which allowed it to reinforce its market position and to maintain high financial ratings in a difficult environment.

The achieved premium growth shows the entity's development potential with existing clients and markets as well as with new ones, and contrasts with the reduction in premiums registered by most operators, due to competition and to increased retention by insurance entities. Growth of results was achieved in an environment negatively affected by the occurrence of major catastrophes, such as the Ike hurricane, and by the major economic and financial crisis that intensified during the second half of the year

Main activities

- The Regional Management for Continental Europe was created and the human team was reinforced in the Brussels, Munich and Milan offices, in order to support expansion and services in this important region.

- Mexico's Management Centre was reorganised, strengthening its team and appointing a new General Manager that will supervise the Caracas office and the Central America area.

- On 17 November the authorisation was granted for MAPFRE RE do Brasil Companhia de Resseguros to start its operations as local reinsurer in the Brazilian market. The new subsidiary, with head office in São Paulo, will allow to complete MAPFRE RE's presence in Latin America and to consolidate its leadership in that major region. In order to achieve this objective, the entity is being provided with highly qualified staff and with advanced computer systems that will allow lean management, an efficient control of operations and a competent service to clients. Likewise, the registration was maintained of MAPFRE RE as an Eventual Reinsurer.

- The reorganisation continued in the Rest of the World Area (Africa, Asia and Australasia), providing it with new staff and means, which will allow to extend the number of markets where it fulfils its activity.

- A Deputy General Management was created to focus on the management and development of Facultative business, which objectives include promoting and coordinating technical expertise together with the different Management Centres.

- MAPFRE RE's role as reinsurer for Group entities was maintained and enhanced, incorporating the reinsurance programmes of the new entities acquired by MAPFRE INTERNACIONAL and MAPFRE AMERICA.

- Training and services programmes were developed for clients, in particular through holding the second International Seminar for non-Spanish speaking cedants and through the development of specific programmes for the Group's subsidiaries in Brazil and Spain. MAPFRE RE's sponsorship should be mentioned of the International Seminar on Catastrophes held in Madrid, as well as seminars on Life reinsurance held in Colombia, Brazil and Syria. Twenty training courses were held, distributed between Asia and Europe, which were attended by more than 520 people, and training courses on the use of new computer tools for the staff of the head office and the European management centres.

- The financial strength ratings by S&P (AA/negative) and AM Best (A+/stable) were renewed; these stand among the highest in the market and confirm the entity's soundness and its prudent management.



Subsidiaries

— The Chilean subsidiaries registered revenues amounting to € 6.4 million, reaching a profit of € 1.3 million and maintaining shareholders' funds of € 48.2 million.

— The new subsidiary MAPFRE RE DO BRASIL reached revenues amounting to € 2.4 million, with a profit of € 1.2 million mainly arising from financial returns, and closed the year with shareholders' funds of € 22.5 million.

Subsequent events

Until the time of closing this report, there have been no significant occurrences that may have an impact on the financial statements as at 31 December 2008.

No significant events have taken place after the balance sheet date that may have an impact on the outlook or the budgets for the current year.

Outlook

MAPFRE RE will maintain a prudent development of its business portfolio in a market likely to continue being affected by strong instability and financial volatility, but where stable reinsurance conditions are expected and, in some cases, an improvement due to the bad results recorded in the year for the market overall and to the difficulty to cover new capital requirements.

In the present environment, MAPFRE RE's continuity and stability policy will allow it to benefit from new development prospects.

Resolutions proposed

Corporate Management

— To approve the Individual Annual Accounts for fiscal year 2008, as well as the following proposal of application of results as contained in the annual report:

DISTRIBUTION BASIS	EUROS
Result of the year	72,021,870.47
Result from previous years pending application	150,983,141.67
Total	223,005,012.14
DISTRIBUTION	
Legal reserve	7,202,187.05
Dividend	59,229,475.76
Donation to MAPFRE Foundations	1,838,000.00
Remainder	154,735,349.33
Total	223,005,012.14

The proposal entails a dividend pay-off for a gross amount of € 0.82 per share to shares numbers 1 to 72.231.068, both inclusive, to be paid between 1 and 30 April 2009. The interim amounts paid as agreed by the Board of Directors shall be deducted from this dividend figure.

- Approval of consolidated annual accounts for fiscal year 2008.
- Approval of the Board of Directors' management during fiscal year 2008.
- Carry-out a donation to FUNDACION MAPFRE amounting to € 1,838,000, pursuant to the profit distribution for the year.
- Extend the appointment of ERNST & YOUNG, S.L., as the company's Account Auditors, both for the Individual Annual Accounts and, if applicable, for the Consolidated Accounts, if the company were required to prepare them or voluntarily decided to prepare them, for a new one-year period, namely, for the 2009 fiscal year, although the said appointment may be revoked by the General Shareholders Meeting before the expiry of the said period, should there be a justified reason.
- Re-elect, for a further four-year mandate, directors Mr. Andrés Jiménez, Mr. Ángel Alonso, Mr. Ricardo Blanco, Mr. Juan Antonio Pardo and Mr. George A. Prescott.
- Determine the fixed allowance for non-executive directors for their belonging to the Board of Directors at the gross figure of € 26,982 with effect from 1 January 2009.
- Delegate on the Chairman of the Board of Directors and its Secretary the power so that either one of them, acting jointly and severally, may proceed to execute the resolutions adopted by the General Shareholders Meeting and may raise them to public status if and as required.
- Thank all those who are part of the corporate management for their loyal cooperation during this fiscal year.

Economic and statistical information

INCOME STATEMENT UNDER IFRS	2008	2007	2006	VAR. % 08/07	VAR. % 07/06
ACCEPTED REINSURANCE					
Accepted Premiums	1,778,6	1,601,2	1,437,7	11.1%	11.4%
Premiums earned in the year	1,709,6	1,486,4	1,276,9	15.0%	16.4%
Claims (incl. claim related expenses)	-1,060,6	-824,0	-739,3	28.7%	11.5%
Operating expenses and other technical expenses	-466,0	-406,4	-393,5	14.7%	3.3%
RESULT OF ACCEPTED REINSURANCE	183,0	256,0	144,2	-28.5%	77.6%
RETROCEDED REINSURANCE					
Premiums and variation in unearned premiums reserve	-571,8	-480,9	-399,3	18.9%	20.4%
Claims paid and variation in reserve for claims	318,7	194,3	223,9	64.0%	-13.2%
Commissions and participations	123,7	104,4	95,4	18.5%	9.4%
RESULT OF RETROCEDED REINSURANCE	-129,4	-182,2	-80,0	-28.9%	127.8%
Other technical revenues and expenses	-1,2	-0,3	-0,6	337.9%	-54.4%
RESULT OF THE TECHNICAL ACCOUNT LIFE AND NON LIFE	52,4	73,7	63,6	-28.9%	15.8%
Net revenues from investments	97,5	65,8	54,7	48.3%	20.2%
Unrealised investment gains and losses	0,0	0,0	0,0	-	-
Other non technical revenues and expenses	-2,7	-5,2	-2,6	-47.8%	100.2%
Results of minority shareholdings	0,4	0,6	0,0	-	-
RESULT OF THE LIFE AND NON LIFE BUSINESS	147,6	134,9	115,8	9.4%	16.5%
RESULT FROM OTHER ACTIVITIES	0,0	0,0	0,0	-	-
RESULT BEFORE TAXES AND MINORITY INTERESTS	147,6	134,9	115,8	9.4%	16.5%
Corporate tax	-44,0	-43,9	-38,6	0.4%	13.7%
Result after tax on discontinued operations	0,0	-3,2	0,0	-100.0%	-
RESULT AFTER TAX	103,6	87,8	77,2	18.1%	13.7%
Minority shareholders	0,0	0,0	0,0	0%	0%
RESULT AFTER TAX AND MINORITY INTERESTS	103,6	87,8	77,2	18.1%	13.7%

RATIOS NON LIFE BUSINESS	2008	2007	2006
Claims in accepted reinsurance	62.0%	53.1%	57.9%
Expenses in accepted reinsurance	27.3%	28.4%	30.8%
Combined ratio net of retroceded reinsurance	95.5%	91.6%	92.3%

MILLION EUROS

BREAKDOWN OF ACCEPTED PREMIUMS	2008	2007	2006	VAR. % 08/07	VAR. % 07/06
Non-Life	1,654,8	1,477,9	1,336,6	12.0%	10.6%
Life	123,9	123,2	101,0	0.5%	22.0%
TOTAL	1,778,6	1,601,2	1,437,7	11.1%	11.4%

MILLION EUROS

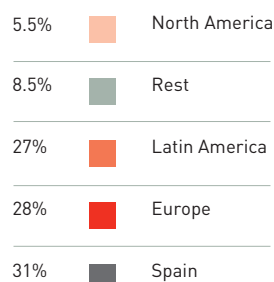
BASIC BALANCE SHEET MAGNITUDES (IFRS)	2008	2007	2006	VAR. % 08/07	VAR. % 07/06
Financial investments and cash	1,826,6	1,659,2	1,486,3	10.1%	11.6%
Total assets	3,130,7	2,879,9	2,660,6	8.7%	8.2%
Equity	742,8	725,2	647,1	2.4%	12.1%
ROE	14.1%	12.8%	12.2%	10.2%	4.9%

MILLION EUROS

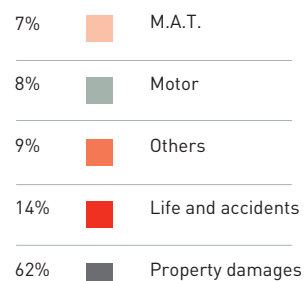
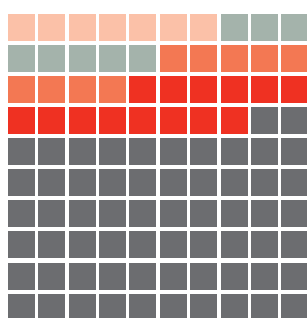
SOLVENCY AND COVERAGE DATA	2008	2007	2006	VAR. % 08/07	VAR. % 07/06
Technical reserves to be covered	1,960,2	1,723,9	1,539,3	13.7%	12.0%
Excess of qualifying assets over reserves	413,6	406,8	386,9	1.7%	5.2%
Minimum amount of solvency margin (consolidated)	249,1	223,1	201,2	11.7%	10.9%
Solvency margin (consolidated)	716,0	692,3	605,9	3.4%	14.3%
Times required minimum	2,9	3,1	3,0	-7.4%	3.1%

OTHER INFORMATION	2008	2007	2006	VAR. % 08/07	VAR. % 07/06
Employees	269	258	256	4.3%	0.8%
% commissions on written premiums, accepted reinsurance	27.6%	26.1%	28.9%	5.7%	-9.7%
% internal management expenses of accepted premiums	1.9%	2.3%	2.3%	-17.4%	0.0%

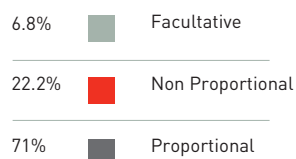
Portfolio mix per geographical area



Portfolio mix per line



Portfolio mix per type of business



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 a 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; furthermore, it has signed with important public entities cooperation agreements related to water savings and energy efficiency.

Staff

The staff rendering their services to the company had at year end the following structure divided by professional categories.

CATEGORY	2008	2007	2006
Managerial	65	65	65
Clerical	101	101	102
Marketing	9	9	9
Others	86	86	80
Total	261	261	256

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.



CONSOLIDATED ANNUAL ACCOUNTS 2008



A) Consolidated balance sheet as at 31 december 2008 and 2007

ASSETS	NOTES	2008	2007
A) INTANGIBLE ASSETS		2,216	2,297
II. Other intangible assets	6.1	2,216	2,297
B) PROPERTY, PLANT AND EQUIPMENT		35,483	36,042
I. Property for own use	6.2	33,731	34,437
II. Other tangible assets	6.2	1,752	1,605
C) INVESTMENTS		2,105,598	1,935,986
I. Investment property	6.2	27,303	31,450
II. Financial investments		1,615,939	1,627,094
1. Portfolio held to maturity	6.4	-	178,919
2. Portfolio available for sale	6.4	1,583,364	1,418,453
3. Trading portfolio	6.4	32,575	29,722
III. Investments recorded by the equity method		11,291	12,992
IV. Deposits established on accepted reinsurance	6.12	274,225	263,960
V. Other investments	6.4	176,840	490
F) PARTICIPATION OF REINSURANCE IN TECHNICAL PROVISIONS	6.10	636,645	551,523
G) DEFERRED TAX ASSETS	6.18	16,024	6,559
H) CREDITS AND RECEIVABLES	6.5	155,881	176,239
II. Receivables on reinsurance transactions	6.5	144,654	160,478
III. Tax credits	6.5, 6.18	1,332	7,185
IV. Corporate and other credits	6.5	9,895	8,576
I) CASH AND BANKS	6.7	33,835	32,091
J) ACCRUAL ADJUSTMENTS		144,262	138,485
K) OTHER ASSETS		736	699
TOTAL ASSETS		3,130,680	2,879,921

FIGURES IN THOUSANDS OF EUROS

LIABILITIES AND EQUITY	NOTAS	2008	2007
A) EQUITY		742,825	725,198
I, Paid-up capital	6.9	223,916	223,916
II, Reserves	6.9	282,301	273,377
IV, Valuation adjustment reserves	6.9	(12,459)	18,279
V, Forex translation differences		6,033	18,576
VI, Retained earnings		242,996	191,008
1, Results from previous years pending application		185,654	103,239
2, Result of the year attributable to the controlling Company	4.1	103,570	87,769
3, Interim dividend	4.2	(46,228)	0
Equity attributed to the controlling Company's shareholders		742,787	725,156
Minority interests		38	42
C) TECHNICAL PROVISIONS	6.10	2,043,946	1,805,821
I, Provisions for unearned premiums and for risks in progress	6.10	986,630	913,920
II, Provision for life insurance	6.10	117,633	125,630
III, Provision for claims	6.10	939,683	766,271
E) PROVISIONS FOR RISKS AND EXPENSES	6.11	9,669	8,057
F) DEPOSITS RECEIVED ON CEDED AND RETROCEDED REINSURANCE	6.12	117,529	129,929
G) DEFERRED TAX LIABILITIES	6.18	31,802	26,996
H) DEBT	6.13	92,152	91,855
V, Due on reinsurance operations		73,577	77,161
VI, Tax payable	6.18	7,872	2,078
VII, Other debts		10,703	12,616
I) ACCRUAL ADJUSTMENTS		92,757	92,065
TOTAL LIABILITIES AND EQUITY		3,130,680	2,879,921

FIGURES IN THOUSANDS OF EUROS

B) Consolidated income statement for years ended 31 december 2008 and 2007

CONCEPT	NOTES	2008	2007
I. REVENUES			
1. Premiums in the year, net		1,137,843	1,005,509
a) Written premiums from direct insurance		13	22
b) Premiums from accepted reinsurance		1,778,549	1,601,144
c) Premiums from ceded reinsurance	6.17	(583,955)	(534,693)
d) Variation in provisions for unearned premiums and risks in progress, net	6.10	(56,764)	(60,964)
Direct Insurance		4	4
Accepted reinsurance		(68,962)	(114,716)
Ceded reinsurance	6.17	12,194	53,748
2. Sharing in profits in companies recorded by the equity method		350	567
3. Income from investments	6.15	102,969	102,176
a) From operations		89,980	88,815
b) From equity		12,989	13,361
4. Unrealised gains in investments on account of policy holders bearing the investment risk			
5. Other technical revenues		89	412
6. Other non technical revenues		2,630	1,676
7. Positive forex translation differences	6.20	214,140	74,374
8. Reversal of the asset impairment provision		657	68
TOTAL REVENUES		1,458,678	1,184,782
II. EXPENSES			
1. Claims in the year, net		(741,921)	(629,710)
a) Claims paid and variation in the provision for claims, net		(741,239)	(628,884)
Direct Insurance		1,049	1,172
Accepted reinsurance		(1,060,972)	(824,362)
Ceded reinsurance	6.17	318,684	194,306
b) Claim related expenses		(682)	(826)
2. Variation in other technical provisions, net		(409)	9,453
3. Sharing in profits and premium returns			
4. Net operating expenses	6.16	(341,896)	(311,493)
a) Acquisition expenses		(455,890)	(406,356)
b) Administration expenses		(9,743)	(9,513)
a) Commissions and sharing in ceded and retroceded reinsurance	6.17	123,737	104,376
5. Sharing in losses of companies recorded by the equity method			
6. Expenses from investments	6.15	(32,366)	(23,559)
a) From operations		(22,603)	(17,263)
b) From equity and financial accounts		(9,763)	(6,296)
7. Unrealised losses in investments on account of policy holders bearing the investment risk			
8. Other technical expenses		(1,280)	(684)
9. Other non technical expenses		(5,322)	(6,834)
10. Negative forex translation differences	6.20	(185,203)	(86,388)
11. Allowance to the asset impairment provision		(2,650)	(673)
TOTAL EXPENSES		(1,311,047)	(1,049,888)
III. PROFIT BEFORE TAX FROM ONGOING OPERATIONS		147,631	134,894
IV. TAX ON PROFIT FROM ONGOING OPERATIONS	6.18	(44,058)	(43,892)
V. PROFIT AFTER TAX FROM DISCONTINUED OPERATIONS	6.8		(3,238)
VI. PROFIT FOR THE YEAR		103,573	87,764
1. Attributable to minority shareholders		(3)	5
2. Attributable to the controlling Company		103,570	87,769
<small>FIGURES IN THOUSANDS OF EUROS</small>			
Basic and diluted earnings per share (Euros)	4.1.	1.44	1.22

C) Consolidated statement of changes in equity as at 31 december 2007 and 2008

EQUITY ATTRIBUTED TO THE CONTROLLING COMPANY'S SHAREHOLDERS								
CONCEPT	CAPITAL PAID-UP	RESERVES	TREASURY STOCK	VALUATION ADJUSTMENT RESERVES	TRANSLATION DIFFERENCES	RETAINED EARNINGS	MINORITY INTERESTS	TOTAL EQUITY
BALANCE AS AT 1 JANUARY 2007	223,916	262,297	0	23,590	14,055	123,233	47	647,138
I. Changes in accounting policies								
II. Correction of errors								
BALANCE AS AT 1 JANUARY 2007, RESTATED	223,916	262,297	0	23,590	14,055	123,233	47	647,138
VARIATIONS IN 2007								
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 translation differences					(796)			(796)
5. From other results recognised directly in equity								
Total result recognised directly in equity	0	0	0	(5,311)	(796)	0	0	(6,107)
II. Other results for 2007						87,769	(5)	87,764
III. Distribution of 2006 results						(4,019)		(4,019)
IV. Interim dividend for 2007								
V. Capital increase								
VI. Called capital pending payment								
VII. Capital decrease								
VIII. Other increases		11,080						11,080
IX. Other decreases						(15,975)		(15,975)
X. Forex translation differences					5,317			5,317
TOTAL CHANGES IN FINANCIAL YEAR 2007	0	11,080	0	0	5,317	67,775	(5)	84,167
BALANCE AS AT 31 DECEMBER 2007	223,916	273,377	0	18,279	18,576	191,008	42	725,198
I. Changes in accounting policies								0
II. Correction of errors								0
BALANCE AS AT 1 JANUARY 2008, RESTATED	223,916	273,377	0	18,279	18,576	191,008	42	725,198
VARIATIONS IN 2008								
I. Result recognised directly in equity								
1. From revaluation of tangible and intangible fixed assets								
2. From investments available for sale				(31,730)				(31,730)
3. From cash flow hedges								
4. From translation differences					701			701
5. From other results recognised directly in equity								
Total result recognised directly in equity	0	0	0	(31,730)	701	0	0	(31,029)
II. Other results for 2008						103,570	3	103,573
III. Distribution of 2007 results						(1,635)		(1,635)
IV. Interim dividend for 2008						(46,228)		(46,228)
V. Capital increase								0
VI. Called capital pending payment								
VII. Capital decrease								
VIII. Other increases		9,175		992				10,167
IX. Other decreases		(251)				(3,719)	(7)	(3,977)
X. Forex translation differences					(13,244)			(13,244)
TOTAL VARIATIONS IN 2008	0	8,924	0	992	(13,244)	51,988	(4)	48,656
BALANCE AS AT 31 DECEMBER 2008	223,916	282,301	0	(12,459)	6,033	242,996	38	742,825

FIGURES IN THOUSANDS OF EUROS

D) Consolidated cash flow statement for years ended 31 december 2008 and 2007

CONCEPTS	2008	2007
Premiums collected	0	0
Payment of claims		
Collections from reinsurance transactions	466,371	439,267
Payments on reinsurance transactions	(232,556)	(214,644)
Payment of commissions	0	0
Collections from clients, other activities		
Payments to suppliers, other activities		
Other operating cash inflows	7,800	9,499
Other operating cash outflows	(45,526)	(56,766)
Payments or collections from the corporation tax	(13,418)	(27,957)
NET CASH FLOWS FROM OPERATING ACTIVITIES	182,671	149,399
Purchases of intangible assets	(792)	0
Purchases of property, plant and equipment	(342)	0
Acquisition of investments and payment of capital increases	(740,115)	(207,259)
Cash generated by companies incorporated into the consolidation perimeter		
Cash corresponding to companies no longer included in the consolidation perimeter	(23)	(25,563)
Sales of intangible fixed assets	90	
Sales of property, plant and equipment	91	12
Sales of investments	542,613	17,754
Interest collected	56,104	52,585
Interest paid		
Collections from dividends	6,260	6,059
Collections from other financial instruments	3,051	671
Payments on other financial instruments		(2,186)
NET CASH FLOWS FROM INVESTMENT ACTIVITIES	(133,063)	(157,927)
Dividends and donations paid	(47,863)	(4,019)
Collections on 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	0
NET CASH FLOWS FROM FINANCING ACTIVITIES	-47,863	(4,019)
NET INCREASE/(DECREASE) IN CASH FLOW	1,745	(12,547)
Forex translation differences in cash flow and cash balances	-1	(76)
OPENING CASH BALANCE	32,091	44,714
CLOSING CASH BALANCE	33,835	32,091

FIGURES IN THOUSANDS OF EUROS

E) Financial information by segments - consolidated balance sheet as at 31 december 2008 and 2007

ASSETS	REINSURANCE LIFE		REINSURANCE NON-LIFE		TOTAL	
	2008	2007	2008	2007	2008	2007
A) INTANGIBLE ASSETS	171	189	2,045	2,108	2,216	2,297
I. Goodwill					0	0
II. Other intangible assets	171	189	2,045	2,108	2,216	2,297
B) PROPERTY, PLANT AND EQUIPMENT	3,346	3,727	32,137	32,315	35,483	36,042
I. Property for own use	3,206	3,535	30,525	30,902	33,731	34,437
II. Other tangible assets	140	192	1,612	1,413	1,752	1,605
C) INVESTMENTS	233,804	233,377	1,871,794	1,702,609	2,105,598	1,935,986
I. Investment property	22,680	26,644	4,623	4,806	27,303	31,450
II. Financial investments	169,595	173,924	1,446,344	1,453,170	1,615,939	1,627,094
1. Portfolio held to maturity	0	22,358	0	156,561	0	178,919
2. Portfolio available for sale	157,146	138,173	1,426,218	1,280,280	1,583,364	1,418,453
3. Trading portfolio	12,449	13,393	20,126	16,329	32,575	29,722
III. Investments recorded by the equity method	9,559	11,887	1,732	1,105	11,291	12,992
IV. Deposits established on accepted reinsurance	21,661	20,922	252,564	243,038	274,225	263,960
V. Other investments	10,309		166,531	490	176,840	490
D) INVESTMENTS ON ACCOUNT OF LIFE POLICY HOLDERS BEARING THE INVESTMENT RISK						
E) INVENTORIES						
F) PARTICIPATION OF REINSURANCE IN TECHNICAL PROVISIONS	14,193	14,306	622,452	537,217	636,645	551,523
G) DEFERRED TAX ASSETS	1,395	539	14,629	6,020	16,024	6,559
H) CREDITS AND RECEIVABLES	11,128	14,098	144,753	162,141	155,881	176,239
I. Receivables on direct insurance and coinsurance transactions						
II. Receivables on reinsurance transactions	11,128	13,224	133,526	147,254	144,654	160,478
III. Tax credits	0	571	1,332	6,614	1,332	7,185
IV. Corporate and other credits	0	303	9,895	8,273	9,895	8,576
V. Shareholders, called capital			0	0	0	0
I) CASH AND BANKS	2,662	2,829	31,173	29,262	33,835	32,091
J) ACCRUAL ADJUSTMENTS	3,375	3,619	140,887	134,866	144,262	138,485
K) OTHER ASSETS	57	57	679	642	736	699
L) NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	0	0			0	0
TOTAL ASSETS BY SEGMENTS	270,131	272,741	2,860,549	2,607,180	3,130,680	2,879,921

FIGURES IN THOUSANDS OF EUROS

E) Financial information by segments - consolidated balance sheet as at 31 december 2008 and 2007

LIABILITIES AND EQUITY	REINSURANCE LIFE		REINSURANCE NON-LIFE		TOTAL	
	2008	2007	2008	2007	2008	2007
A) EQUITY	79,208	89,052	663,617	636,146	742,825	725,198
I. Paid-up capital	17,243	18,413	206,673	205,503	223,916	223,916
II. Reserves	64,376	61,426	217,925	211,951	282,301	273,377
III. Treasury stock						
IV. Valuation adjustment reserves	(1,830)	4,017	(10,629)	14,262	(12,459)	18,279
V. Forex translation differences	(9,019)	365	15,052	18,211	6,033	18,576
VI. Retained earnings	8,400	4,789	234,596	186,219	242,996	191,008
Equity attributed to the controlling Company's shareholders	79,170	89,010	663,617	636,146	742,787	725,156
Minority interests	38	42			38	42
B) SUBORDINATED LIABILITIES						
C) TECHNICAL PROVISIONS	164,706	165,142	1,879,240	1,640,679	2,043,946	1,805,821
I. Provisions for unearned premiums and for risks in progress			986,630	913,920	986,630	913,920
II. Provision for life insurance	117,633	125,630			117,633	125,630
III. Provision for claims	47,073	39,512	892,610	726,759	939,683	766,271
IV. Other technical provisions						
D) TECHNICAL PROVISIONS RELATING TO LIFE INSURANCE WHEN POLICY HOLDERS BEAR THE INVESTMENT RISK						
E) PROVISIONS FOR RISKS AND EXPENSES	745	649	8,924	7,408	9,669	8,057
F) DEPOSITS RECEIVED ON CEDED AND RETROCEDED REINSURANCE	6,780	5,615	110,749	124,314	117,529	129,929
G) DEFERRED TAX LIABILITIES	2,442	2,731	29,360	24,265	31,802	26,996
H) DEBT	9,115	9,552	83,037	82,303	92,152	91,855
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	0	0	0
V. Due on reinsurance operations	5,559	6,192	68,018	70,969	73,577	77,161
VI. Tax payable	963	146	6,909	1,932	7,872	2,078
VII. Other debts	2,593	3,214	8,110	9,402	10,703	12,616
I) ACCRUAL ADJUSTMENTS	7,135		85,622	92,065	92,757	92,065
TOTAL LIABILITIES AND EQUITY BY SEGMENTS	270,131	272,741	2,860,549	2,607,180	3,130,680	2,879,921

FIGURES IN THOUSANDS OF EUROS

E) Financial information by segments - consolidated income statement for years ended 31 december 2008 and 2007

	REINSURANCE LIFE		REINSURANCE NON LIFE		TOTAL	
	2008	2007	2008	2007	2008	2007
I. REVENUES						
1. Premiums in the year, net	104,589	101,140	1,033,254	904,369	1,137,843	1,005,509
a) Written premiums from direct insurance			13	22	13	22
b) Premiums from accepted reinsurance	123,853	123,224	1,654,696	1,477,920	1,778,549	1,601,144
c) Premiums from ceded reinsurance	(20,546)	(18,683)	(563,409)	(516,010)	(583,955)	(534,693)
d) Variation in provisions for unearned premiums and for risks in progress, net	1,282	(3,401)	(58,046)	(57,563)	(56,764)	(60,964)
Direct Insurance			4	4	4	4
Accepted reinsurance	3,639	(8,188)	(72,601)	(106,528)	(68,962)	(114,716)
Ceded reinsurance	(2,357)	4,787	14,551	48,961	12,194	53,748
2. Sharing in profits in companies recorded by the equity method	204	523	146	44	350	567
3. Income from investments	12,131	12,748	90,838	89,428	102,969	102,176
a) From operations	8,218	11,575	81,762	77,240	89,980	88,815
b) From equity	3,913	1,173	9,076	12,188	12,989	13,361
4. Unrealised gains in investments on account of life policy holders bearing the investment risk						
5. Other technical revenues			89	412	89	412
6. Other non technical revenues	982	1,486	1,648	190	2,630	1,676
7. Positive forex translation differences	17,803	6,642	196,337	67,732	214,140	74,374
8. Reversal of the asset impairment provision			657	68	657	68
TOTAL REVENUES	135,709	122,539	1,322,969	1,062,243	1,458,678	1,184,782
II. EXPENSES						
1. Claims in the year, net	(69,673)	(86,851)	(672,248)	(542,859)	(741,921)	(629,710)
a) Claims paid and variation in the provision for claims, net	(69,665)	(86,747)	(671,574)	(542,137)	(741,239)	(628,884)
Direct Insurance			1,049	1,172	1,049	1,172
Accepted reinsurance	(83,282)	(95,661)	(977,690)	(728,701)	(1,060,972)	(824,362)
Ceded reinsurance	13,617	8,914	305,067	185,392	318,684	194,306
c) Claim related expenses	(8)	(104)	(674)	(722)	(682)	(826)
2. Variation in other technical provisions, net	(409)	9,453			(409)	9,453
3. Sharing in profits and premium returns						
4. Net operating expenses	(28,201)	(25,598)	(313,695)	(285,895)	(341,896)	(311,493)
a) Acquisition expenses	(33,189)	(23,987)	(422,701)	(382,369)	(455,890)	(406,356)
b) Administration expenses	(1,973)	(2,265)	(7,770)	(7,248)	(9,743)	(9,513)
a) Commissions and sharing in ceded and retroceded reinsurance	6,961	654	116,776	103,722	123,737	104,376
5. Sharing in losses of companies recorded by the equity method					0	0
6. Expenses from investments	(6,545)	(2,863)	(25,821)	(20,696)	(32,366)	(23,559)
a) From operations	(6,094)	(2,084)	(16,509)	(15,179)	(22,603)	(17,263)
b) From equity and financial accounts	(451)	(779)	(9,312)	(5,517)	(9,763)	(6,296)
7. Unrealised losses in investments on account of life policy holders bearing the investment risk						
8. Other technical expenses	(631)	(684)	(649)	0	(1,280)	(684)
9. Other non technical expenses	(687)	(1,544)	(4,635)	(5,290)	(5,322)	(6,834)
10. Negative forex translation differences	(15,137)	(8,018)	(170,066)	(78,370)	(185,203)	(86,388)
11. Allowance to provision for asset impairment			(2,650)	(673)	(2,650)	(673)
TOTAL EXPENSES	(121,283)	(116,105)	(1,189,764)	(933,783)	(1,311,047)	(1,049,888)
III. RESULT BEFORE TAX	14,426	6,434	133,205	128,460	147,631	134,894
IV. TAX ON PROFITS	(5,119)	(4,798)	(38,939)	(39,094)	(44,058)	(43,892)
V. PROFIT AFTER TAX FROM DISCONTINUED OPERATIONS				(3,238)	0	(3,238)
V. PROFIT FOR THE YEAR	9,307	1,636	94,266	86,128	103,573	87,764
1. Attributable to minority shareholders	(3)	5			(3)	5
2. Attributable to the controlling Company	9,304	1,641	94,266	86,128	103,570	87,769

FIGURES IN THOUSANDS OF EUROS

E) Financial information by segments - breakdown by geographical segment

1. Consolidated assets as at 31 december 2008 and 2007

GEOGRAPHICAL SEGMENT	2008	2007
I. SPAIN	1,105,314	1,040,227
II. OTHER EUROPEAN UNION COUNTRIES	956,256	833,376
III. AMERICA	737,850	764,487
IV. REST OF THE WORLD	331,260	241,831
TOTAL ASSETS	3,130,680	2,879,921

FIGURES IN THOUSAND EUROS

2. Consolidated ordinary revenues for years ended 31 december 2008 and 2007

GEOGRAPHICAL SEGMENT	2008	2007
I. SPAIN	518,066	531,210
II. OTHER EUROPEAN UNION COUNTRIES	449,862	415,779
III. AMERICA	579,535	520,527
IV. REST OF THE WORLD	231,099	133,650
TOTAL ORDINARY REVENUES	1,778,562	1,601,166

FIGURES IN THOUSAND EUROS

3. Acquisitions of fixed assets and investments in years ended 31 december 2008 and 2007

GEOGRAPHICAL SEGMENT	2008	2007
I. SPAIN	(85,355)	203,717
II. OTHER EUROPEAN UNION COUNTRIES	262,859	
III. AMERICA	8,122	27,466
IV. REST OF THE WORLD	5,139	6,811
TOTAL ACQUISITIONS IN THE YEAR	190,765	237,994

FIGURES IN THOUSANDS OF EUROS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2008



F) Consolidated annual report

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 to a number of subsidiaries engaged in reinsurance activities.

The controlling Company is, in turn, 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 and a subsidiary in Brazil, having also four branch offices and ten representative offices with direct presence in sixteen countries. Its geographical scope includes Spain, European Union countries and other countries, mainly in Latin America, and its activity embraces all types and lines of the reinsurance business.

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

The consolidated annual accounts have been issued by the Board of Directors on 27 February 2009. They are expected to be approved by the General Shareholders Meeting. The Spanish regulations envisage the possibility of modifying the annual accounts in the event they were not approved said governance body.

2. Bases of presentation of the consolidated financial statements

The Group's annual consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) in force on the closing date as adopted by the European Union, 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 interest costs directly attributable to the acquisition of qualifying assets, which therefore become part of the costs of the said assets.

Rules and interpretations that have been approved by the European Commission but that were not yet in force at the closing date of fiscal year 2008 have not been used, in particular with regard to IFRS 8 relating to the operating segments, the amendments to IAS 23 relating to interest costs, the revised IAS 1 relating to the presentation of the financial statements, which will be mandatory with effect from 1 January 2009, when they will be first applied by the Group. Their adoption would have no effect on the Group's financial position and results.

REPORTING BY SEGMENTS

The controlling Company voluntarily includes in its consolidated annual accounts financial information by segments for both business activities and geographical areas. The main segments per business line are Reinsurance Life and Reinsurance Non Life. 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 prevent the comparison of the balances and amounts of this fiscal year as they appear in the financial statements with those of the previous year.

CHANGES IN THE CONSOLIDATION PERIMETER

Appendix 1 identifies the companies that were incorporated into, and changes occurred in, the consolidation perimeter in 2008 and 2007, together with details on their equity and results. In addition, Appendix 1 provides in detail other changes occurred in the consolidation perimeter.

The overall effect of these changes on the consolidatable Group's equity, financial situation and results in 2008 and 2007 with respect to the preceding year is described in the relevant notes of the consolidated report.

Following are the main changes occurred during the last two fiscal years:

In fiscal year 2008, our new subsidiary in Brazil, MAPFRE RE DO BRASIL, joined the group.

In 2008, the following companies were no longer Group subsidiaries or affiliates, due to the reasons mentioned below:

— Winding-up

Inversiones Mapfre Re (Colombia)

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

— Sale to third parties

Mapfre Reinsurance Corporación

— Winding-up

Mapfre Compañías de servicios generales (Perú)

ACCOUNTING JUDGEMENTS AND ESTIMATES

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

— Losses from deterioration of certain assets.

— The calculation of reserves for risks and expenses.

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

— The useful life of intangible assets and of elements of property, plant & equipment.

— 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.

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 the application of a different exchange rate for the conversion of figures corresponding to foreign subsidiaries.

Variations in the technical reserves recorded on the income statement differ from those obtained by difference in the balance sheet balances of the present and previous fiscal year, as a result of the application of a different exchange rate for the conversion of figures in the case of foreign subsidiaries.

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 Appendix 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 the said rights, if the controlling Company is able to manage the 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 the consolidation on the date when it ceases in such

control; therefore, the results relating to the part of the fiscal year while the said entities belong 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 the 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, account has been taken of 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 fiscal years closed as at 31 December 2008 and 2007.

3.2. CONVERSION OF FINANCIAL STATEMENTS OF FOREIGN COMPANIES INCLUDED IN THE CONSOLIDATION

The functional and presentation currency of the 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, those arising from monetary financial assets classified as held for sale of those derived from the variation of the recoup cost, as well as those arising from the conversion of credits and other foreign currency instruments covering investments in foreign operations, have been recorded as a separate component of assets in the account "Forex conversion differences", deducting the part of the 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, stating them in the functional currency of the foreign undertaking and translating them at the exchange rate in force at the balance sheet date.

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:

	2008	2007
Net earnings attributable to the controlling Company's shareholders (EUR 000s)	103,570	87,769
Weighted average number of ordinary shares in issue (thousands)	72,231	72,231
Basic earnings per share (Euros)	1.44	1.22

4.2. DIVIDENDS

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

CONCEPT	2008		2007	
	TOTAL	AMOUNT PER SHARE	TOTAL	AMOUNT PER SHARE
Interim dividend	46,227,884	0.64	-	-
Additional dividend	13,001,592	0.18	-	-
TOTAL	59,229,476	0.82	-	-

FIGURES IN THOUSANDS OF EUROS

The total dividend for fiscal year 2008 has been proposed by the Board of Directors and is pending approval by the Ordinary General Shareholders Meeting.

The proposed dividend distribution complies with the requirements and restrictions contained in the legal regulations and in the corporate bylaws.

During fiscal year 2008, the controlling company paid an interim dividend amounting to € 46,227,884, which is recorded in equity under the heading "Interim dividend".

The Board of Directors has prepared the cash statement for the distribution in fiscal year 2008, as follows:

CONCEPTS	DATE OF INTERIM DIVIDEND 01/12/2008
CASH AVAILABLE ON THE DATE OF THE RESOLUTION	20,000
INCREASES IN CASH FORECAST WITHIN ONE YEAR	
(+) From expected current collection transactions	390,000
(+) From expected financial transactions	
DECREASES IN CASH FORECAST WITHIN ONE YEAR	
(-) From expected current payment transactions	(191,000)
(-) From expected financial transactions	(195,000)
CASH AVAILABLE WITHIN ONE YEAR	24,000

FIGURES IN THOUSANDS OF EUROS

5. Accounting policies

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

5.1. INTANGIBLE ASSETS

Other intangible assets

INTANGIBLES 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 depending upon it and, if they have an indefinite useful life, they are tested for deterioration at least on an annual basis.

5.2. PROPERTY, PLANT & EQUIPMENT, AND INVESTMENT PROPERTY

Property, plant & equipment, and investment property are carried at cost less accumulated depreciation and, if applicable, accumulated deterioration 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 income statement during the fiscal year when they are incurred.

The elements of property, plant & equipment, and investment property 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:

GROUP OF ELEMENTS	YEARS	ANNUAL RATE
Buildings and other structures	50-25	2% - 4%
Transportation elements	6.25	16 %
Furniture	10	10 %
Fittings	16.6-10	6 % - 10 %
Data processing equipment	4	25 %

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

The elements of property, plant & equipment and investment property are written off when they 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 consolidated 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 income statement 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 the 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 originated or acquired financial assets with the purpose of being carried out in a short-term and which form part of a financial instruments portfolio being 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 to the effects of their classification and valuation. 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 those not being classified in the "Trading Portfolio", any dealing costs being 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 equalling exactly the initial value of a financial instrument to all its estimated cash flows for all concepts throughout its residual life.

b) Financial assets that are equity instruments and which fair value may not be accurately estimated, as well as derivatives having the 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 interest rate swaps in Euros increased or decreased by the spread arising from the issuer's credit quality and standardised according to the issuer's quality 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 income statement 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. In the case of equity instruments, an individual analysis of investments is carried out in order to determine whether or not there is deterioration in them. In addition, a sign of deterioration is assumed to exist when the market value shows a protracted decline (18 months) or a significant decline (40%) with respect to cost. The amount of estimated deterioration losses is recognised in the income statement, 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 fiscal year, the Group assesses if there are signs that the asset element 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 income statement, 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 CREDITS

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

When there is objective evidence that a deterioration loss has been incurred, the relevant reserve has been established for the amount deemed not recoverable. Such 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 income statement of the year

5.7. CASH

Cash consists of cash and cash equivalents.

Cash is formed by cash and sight deposits with banks.

Cash equivalents correspond to highly liquid short term investments that can be easily converted into fixed amounts of cash and are subject to insignificant risks as to change in their value, and have maturities below 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 coverage 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 lower 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 income 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 income statement. Similarly, when a recovery in value takes place, this is recognised in the income statement up to an amount equal to the deterioration loss previously recognised.

5.10. REINSURANCE OPERATIONS

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) Technical reserves

ACCEPTED REINSURANCE

Reserve 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 reserve for unearned premiums of unclosed accounts, in order not to recognise results in the recording of such accounts. Exceptionally, if these reserves of unclosed accounts are negatively affected by the recording of major claim payments, there being an actual loss not subject to being offset by movements of unclosed accounts, the reserve is adjusted for the relevant amount.

When the latest account and report on outstanding claims are available, reserve of unclosed accounts are cancelled, allocating the corresponding reserve for unearned premiums according to the information provided by the ceding company, and accruing them on a contract by contract 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 risks in progress

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

Reserve for outstanding claims

Reserves for claims are allocated for the amounts notified by the ceding company or, failing this, for withheld deposits, and include complementary reserves for claims existing and not reported, as well as for deviations in existing ones, in accordance with the company's own experience.

Retroceded reinsurance

Retroceded reinsurance transactions and their corresponding technical reserves 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 technical reserves existing in the books in order to determine their adequacy on the basis of the projections of all future cash flows of existing contracts. If applicable, recorded reserves are adjusted against the results of the fiscal 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 losses, the general measurement principle mentioned in note "5.6 Credits" is applied.

F) Significant assumptions and other sources of estimation of uncertainties

With respect to assets, liabilities, revenues and expenses deriving from insurance contracts, as a general rule, the assumptions used are those that were used as basis for the issuance of the said contracts and which are as specified in the technical bases.

Generally, the estimates and assumptions used are periodically revised and are based on historical experience and other factors that may have been considered as reasonable from time to time. When, as a result of these revisions, a change in estimates takes place in a given period, its effect would be applied in that period and, if applicable, in the successive ones.

The main assumption is based on the performance and development of claims, using their frequency and costs in the past few years. Likewise, estimates take into account assumptions on interest rates and exchange rates, delays in the payment of claims and any other external factor that might affect estimates.

With respect to liabilities, assumptions are based on the best possible estimate at the time of issuing the contracts. Nevertheless, the relevant reserves would be established in order to cover any proven inadequacy, should this emerge.

5.11 RESERVES FOR RISKS AND EXPENSES

Reserves are recognised when the present obligation exists (whether legal or implicit) as a result of a past event and a reliable estimate of the amount of the obligation may be made.

When a reserve is expected to be recovered, partially or fully, the reimbursement is recognised as a separate asset.

5.12 DEBT

The measurement of the 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 public debt market for securities with the same or similar term to the maturity of the debts, without prejudice to 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 REMUNERATION TO STAFF

Remuneration to staff may be short term, post-employment and termination payments, and other long term benefits.

a) Short term remuneration

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

b) Post-employment remuneration

It essentially consists of defined benefit plans and defined contribution plans.

DEFINED BENEFIT PLANS

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

The liability recognised in the balance sheet in relation to defined benefit pension plans 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 plan, using the actuarial valuation method of projected credit unit.

Arising actuarial losses and gains are debited or credited to the income statement in the fiscal year when they take place.

DEFINED CONTRIBUTION PLANS

These are post-employment benefit plans, in which the entity involved makes pre-determined contributions to a separate entity (whether related or alien 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) Severance payments

Severance payments are recognised as a liability and as an expense when there is a provable intention of termination of 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 contracts.

d) Share based payments

The MAPFRE Group has granted to some of its executives an incentive plan that is benchmarked to the MAPFRE, S.A. share value.

Such plan is valued according to an option valuation method at the initial date when it is awarded. The allocation of the valuation to results is made to the staff expenses item during the period of time established as requirement for the employee to qualify to its exercise, and a liability in favour of the employee is recognised as counterpart.

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

e) Other long term benefits

The accounting record of other long term benefits other than those 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 in accordance to their origin, if they are earmarked to covering technical reserves or they materialise shareholders' equity, respectively.

Revenues and expenses from financial investments are accounted for according to 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 income statement, differentiating the portion attributable to yields, which is recorded as interest or, if applicable, as dividends, and the portion that is recorded as realised and unrealised 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 income statement.

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 fulfilled by each employee, with their direct and indirect cost being distributed pursuant to said duties.

Individual studies are carried out with respect to expenses not related directly or indirectly to personnel, and which are allocated according to the functions fulfilled 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 reinsurance Life
- Accepted reinsurance Non Life

5.17. TRANSACTIONS AND BALANCES IN FOREIGN CURRENCIES

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

Reinsurance transactions in foreign currencies are recorded at the exchange rate established at the beginning of each quarter of the year. Later on, upon the closing of each quarter, they are all dealt with as a single transaction, changing the amount at the exchange rate prevailing on that date and recording the corresponding difference in the income statement.

At year end, existing balances stated in foreign currencies are changed at the exchange rate of the Euro prevailing on that date, with all exchange differences being taken to the income statement, except those directly allocated to "Forex exchange differences", which are those arising from the monetary items that form part of the net investment in a foreign operation and from the non-monetary ones stated at fair value, where changes in valuation are directly recognised in equity.

5.18 INCOME TAX

Income tax that is considered as an expense in the year is recorded as such in the income statement, 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 fiscal 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, income tax related to items where modifications in valuation are directly recognised in equity are not allocated to the income statement, but to equity, with the valuation changes being recorded in the said items, net of the tax effect.

6. Breakdown of the consolidated report

6.1 INTANGIBLE ASSETS

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

FISCAL YEAR 2008						
ITEMS	OPENING BALANCE 2008	ADJUSTMENTS TO OPENING BALANCE	CHANGES IN PERIMETER	INPUT OR ENDOWMENT	EXPENSES, WRITE-OFFS OR REDUCTIONS	CLOSING BALANCE 2008
GOODWILL						
OTHER INTANGIBLE ASSETS	3,968	(83)		803	(777)	3,911
Computer applications	3,968	(83)		803	(777)	3,911
Others						
COST	3,968	(83)		803	(777)	3,911
ACCUMULATED AMORTISATION						
OTHER INTANGIBLE ASSETS						
Computer applications	(1,671)			(801)	777	(1,695)
Others						
ACCUMULATED AMORTISATION	(1,671)			(801)	777	(1,695)
DETERIORATION						
GOODWILL						
OTHER INTANGIBLE ASSETS						
Computer applications						
Others						
DETERIORATION						
SUB-TOTAL OTHER INTANGIBLE ASSETS	2,297					
NET TOTAL INTANGIBLE ASSETS	2,297	(83)		2		2,216

(FIGURES IN THOUSANDS OF EUROS)

FISCAL YEAR 2007						
ITEMS	OPENING BALANCE 2007	ADJUSTMENTS TO OPENING BALANCE	CHANGES IN PERIMETER	INPUT OR ENDOWMENT	EXPENSES, WRITE-OFFS OR REDUCTIONS	CLOSING BALANCE 2007
GOODWILL						
OTHER INTANGIBLE ASSETS	3,008	101	(212)	1,113	(42)	3,968
Computer applications	3,008	101	(212)	1,113	(42)	3,968
Others						
COST	3,008	101	(212)	1,113	(42)	3,968
ACCUMULATED AMORTISATION						
OTHER INTANGIBLE ASSETS						
Computer applications	(1,178)	(1)	166	(688)	30	(1,671)
Others						
ACCUMULATED AMORTISATION	(1,178)	(1)	166	(688)	30	(1,671)
DETERIORATION						
GOODWILL						
OTHER INTANGIBLE ASSETS						
Computer applications						
Others						
DETERIORATION						
SUB-TOTAL OTHER INTANGIBLE ASSETS	1,830	100	(46)	425	(12)	2,297
NET TOTAL INTANGIBLE ASSETS	1,830	100	(46)	425	(12)	2,297

(FIGURES IN THOUSANDS OF EUROS)

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

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	COEFICIENTE DE AMORTIZACIÓN (ANUAL)
Computer applications	4	25%

Fully amortised elements amount to € 0.14 million in 2008 and € 0.78 million in 2007.

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

6.2. PROPERTY, PLANT & EQUIPMENT, AND INVESTMENT PROPERTY

Property, plant & equipment

The following tables detail the movement of this heading in the 2008 and 2007 fiscal years.

FISCAL YEAR 2008							
ITEMS	OPENING BALANCE 2008	ADJUSTMENTS TO OPENING BALANCE	CHANGES IN PERIMETER	INPUT OR ENDOWMENT	EXPENSES, WRITE-OFFS OR REDUCTIONS	CLOSING BALANCE 2008	MARKET VALUE
COST							
PROPERTY FOR OWN USE	36,806	(130)			(303)	36,373	52,304
Land and natural resources	18,542	(13)			(91)	18,438	34,476
Buildings and other structures	18,264	(117)			(212)	17,935	17,828
OTHER TANGIBLE ASSETS	5,940	(155)	(58)	631	(1,701)	4,657	1,752
Transportation elements	561	(14)		144	(82)	609	309
Furniture and fittings	3,174	(97)	(58)	204	(843)	2,380	836
Other tangible fixed assets	2,205	(44)		283	(776)	1,668	607
Advances and fixed assets in progress	-	-					
TOTAL COST	42,746	(285)	(58)	631	(2,004)	41,030	54,056
ACCUMULATED DEPRECIATION							
PROPERTY FOR OWN USE	(2,369)			(350)	77	(2,642)	
OTHER TANGIBLE FIXED ASSETS	(4,335)	131	58	(431)	1,672	(2,905)	
TOTAL ACCUMULATED DEPRECIATION	(6,704)	131	58	(781)	1,749	(5,547)	
DETERIORATION							
PROPERTY FOR OWN USE							
Land and natural resources							
Buildings and other structures							
OTHER TANGIBLE ASSETS							
Transportation elements							
Furniture and fittings							
Other tangible fixed assets							
Advances and fixed assets in progress							
TOTAL DETERIORATION							
TOTAL PROPERTY FOR OWN USE	34,437	(130)	0	(350)	(226)	33,731	52,304
TOTAL OTHER TANGIBLE FIXED ASSETS	1,605	(24)	0	200	(29)	1,752	1,752

(FIGURES IN THOUSANDS OF EUROS)

Changes in perimeter are due to the winding-up of Inversiones Mapfre Re (Colombia).

FISCAL YEAR 2007

ITEMS	OPENING BALANCE 2007	ADJUSTMENTS TO OPENING BALANCE	CHANGES IN PERIMETER	INPUT OR ENDOWMENT	EXPENSES, WRITE-OFFS OR REDUCTIONS	CLOSING BALANCE 2007	MARKET VALUE
COST							
PROPERTY FOR OWN USE	36,793	13				36,806	39,762
Land and natural resources	18,538	4				18,542	18,542
Buildings and other structures	18,255	9				18,264	21,220
OTHER TANGIBLE ASSETS	6,247	(43)	(432)	395	(227)	5,940	1,605
Transportation elements	708	(2)	(89)	72	(128)	561	272
Furniture and fittings	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					-	-
TOTAL COST	43,040	(30)	(432)	395	(227)	42,746	41,366
ACCUMULATED DEPRECIATION							
PROPERTY FOR OWN USE	(2,120)	104		(353)		(2,369)	
OTHER TANGIBLE FIXED ASSETS	(4,340)	45	366	(521)	115	(4,335)	
TOTAL ACCUMULATED DEPRECIATION	(6,460)	149	366	(874)	115	(6,704)	
DETERIORATION							
PROPERTY FOR OWN USE							
Land and natural resources							
Buildings and other structures							
OTHER TANGIBLE ASSETS							
Transportation elements							
Furniture and fittings							
Other tangible fixed assets							
Advances and fixed assets in progress							
TOTAL DETERIORATION							
TOTAL PROPERTY FOR OWN USE	34,673	117		(353)		34,437	39,762
TOTAL OTHER TANGIBLE FIXED ASSETS	1,907	2	(66)	(126)	(112)	1,605	1,605

(FIGURES IN THOUSANDS OF EUROS)

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

Additional information

The fully depreciated cost of property, plant & equipment as at 31 December 2008 and 31 December 2007 amounts to € 0.504 million and € 1.21 million, respectively.

Investment property

The following tables detail the movement of this heading in fiscal years 2008 and 2007:

EJERCICIO 2008								
ITEMS	OPENING BALANCE 2008	ADJUSTMENTS TO OPENING BALANCE	CHANGES IN PERIMETER	INPUT OR ENDOWMENT	EXPENSES, WRITE-OFFS OR REDUCTIONS	CLOSING BALANCE 2008	MARKET VALUE	ITEMS
COST								
INVESTMENT PROPERTY	37,597	(2,896)	(114)		(898)		33,689	29,182
Land and natural resources	10,109	(1,047)					9,062	9,062
Buildings and other structures	27,488	(1,849)	(114)		(898)		24,627	20,082
OTHER INVESTMENT PROPERTY								
ADVANCES AND TANGIBLE INVESTMENTS IN PROGRESS								
TOTAL COST	37,597	(2,896)	(114)		(898)		33,689	29,144
ACCUMULATED DEPRECIATION								
INVESTMENT PROPERTY	(6,116)	(170)	45	(145)			(6,386)	
OTHER PROPERTY INVESTMENTS								
TOTAL ACCUMULATED DEPRECIATION	(6,116)	(170)	45	(145)			(6,386)	
DETERIORATION								
INVESTMENT PROPERTY	(31)		31					
Land and natural resources								
Buildings and other structures	(31)		31					
OTHER INVESTMENT PROPERTY								
TOTAL DETERIORATION	(31)		31					
TOTAL INVESTMENT PROPERTY	31,450	(3,066)	(38)	(145)	(898)		27,303	29,144

(FIGURES IN THOUSANDS OF EUROS)

Changes in perimeter are due to the winding-up of Inversiones Mapfre Re (Colombia).

The amount of € 898 thousands shown under "Disposals" in the item "Buildings and other structures" relates to realisations made by Inversiones Ibéricas

FISCAL YEAR 2007								
ITEMS	OPENING BALANCE 2007	ADJUSTMENTS TO OPENING BALANCE	CHANGES IN PERIMETER	INPUT OR ENDOWMENT	EXPENSES, WRITE-OFFS OR REDUCTIONS	CLOSING BALANCE 2007	MARKET VALUE	ITEMS
COST								
INVESTMENT PROPERTY	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 INVESTMENT PROPERTY								
ADVANCES AND TANGIBLE INVESTMENTS IN PROGRESS								
TOTAL COST	41,661	261	(288)		(4,037)		37,597	32,113
ACCUMULATED DEPRECIATION								
INVESTMENT PROPERTY	(6,409)	232	71	(429)	419		(6,116)	
OTHER PROPERTY INVESTMENTS								
TOTAL ACCUMULATED DEPRECIATION	(6,409)	232	71	(429)	419		(6,116)	
DETERIORATION								
INVESTMENT PROPERTY	(69)				38		(31)	
Land and natural resources	(38)				38			
Buildings and other structures	(31)						(31)	
OTHER INVESTMENT PROPERTY								
TOTAL DETERIORATION	(69)				38		(31)	
TOTAL INVESTMENT PROPERTY	35,183	493	(217)	(429)	(3,580)		31,450	32,113

(FIGURES IN THOUSANDS OF EUROS)

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

The market value of investment property is in line with the value of the appraisals carried out in the past three years by authorised independent appraisers.

Revenues and expenses from leases arising from investment property in fiscal years 2008 and 2007 are detailed in the following table.

CONCEPT	INVESTMENTS FROM					
	OPERATIONS		EQUITY		TOTAL	
	2008	2007	2008	2007	2008	2007
Revenues from investment property						
From leases	2,180	2,473	-	112	2,180	2,585
Gains on disposals	-	-	367	1,530	367	1,530
TOTAL REVENUES FROM INVESTMENT PROPERTY	2,180	2,473	367	1,642	2,547	4,115
Expenses from investment property						
Direct operating expenses	(693)	(693)			(693)	(693)
Losses on disposals	(268)	(312)	-	-	(268)	(312)
TOTAL EXPENSES FROM INVESTMENT PROPERTY	(961)	(1,005)	-	-	(961)	(1,005)

(FIGURES IN THOUSANDS OF EUROS)

6.3. LEASES

Operating leases

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

FISCAL YEAR 2008			
ASSET TYPE	NET BOOK VALUE	DURATION OF CONTRACT	YEARS ELAPSED
Property Belgium	4,623	10	6
Property Chile	22,680	1	Annual rollover
TOTAL	27,303		

(FIGURES IN THOUSANDS OF EUROS)

EJERCICIO 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
TOTAL	31,450		

(DATOS EN MILES DE EUROS)

As at 31 December of the last two years, minimum future collections to be received in the concept of operational lease agreements not liable of cancellation are as follows:

	MINIMUM COLLECTIONS 2008	MINIMUM COLLECTIONS 2007
Under one year	2,458	2,760
Over one year but under five years	10,633	12,832
More than five years	-	-
Total	13,091	15,592

(FIGURES IN THOUSANDS OF EUROS)

6.4 FINANCIAL INVESTMENTS

As at 31 December 2008 and 2007, the breakdown of financial investments is as follows:

CONCEPT	BOOK VALUE	
	YEAR 2008	YEAR 2007
PORTFOLIO HELD TO MATURITY		
Fixed income		
Other investments	0	178,919
TOTAL PORTFOLIO HELD TO MATURITY	0	178,919
PORTFOLIO AVAILABLE FOR SALE		
Shares	101,166	155,918
Fixed income	1,414,021	1,199,272
Investment funds	68,177	63,263
Others		
TOTAL PORTFOLIO AVAILABLE FOR SALE	1,583,364	1,418,453
TRADING PORTFOLIO		
Other investments		
Shares	28	30
Fixed income		
Investment funds	18,402	17,037
Others	14,145	12,655
TOTAL TRADING PORTFOLIO	32,575	29,722

(FIGURES IN THOUSANDS OF EUROS)

A. Portfolio held to maturity

A breakdown is given below of investments earmarked to the portfolio held to maturity as at 31 December 2007; in 2008 there is no balance in this portfolio:

CONCEPT	BOOK VALUE (AMORTISED COST)	FAIR VALUE	INTEREST REVENUES	DETERIORATION	
				RECORDED LOSS	REVERSAL PROFIT
Fixed income					
Other investments	178,919	178,919	5,808	-	-
TOTAL PORTFOLIO HELD TO MATURITY	178,919	178,919	5,808	-	-

(FIGURES IN THOUSANDS OF EUROS)

A) Portfolio available for sale

A breakdown is given below of investments earmarked to the portfolio available for sale as at 31 December 2008 and 2007:

CONCEPT	BOOK VALUE (FAIR VALUE)	DETERIORATION	
		RECORDED LOSS	GAINS ON REVERSAL
Shares	101,166	(960)	-
Fixed income	1,414,021	(1,690)	-
Investment funds	68,177	-	-
Others	-	-	-
TOTAL PORTFOLIO AVAILABLE FOR SALE	1,583,364	(2,650)	-

(FIGURES IN THOUSANDS OF EUROS)

31/12/2007			
CONCEPT	BOOK VALUE (FAIR VALUE)	DETERIORATION	
		RECORDED LOSS	GAINS ON REVERSAL
Shares	155,918	-	-
Fixed income	1,199,272	-	-
Investment funds	63,263	-	-
Others	-	-	-
TOTAL PORTFOLIO AVAILABLE FOR SALE	1,418,453	-	-

(FIGURES IN THOUSANDS OF EUROS)

Valuation adjustments in the portfolio investments amount to € (19.00) million and € 25.52 million as at 31 December 2008 and 2007 respectively, which have been recorded in equity net of the tax effect.

Transfers to the income statement of valuation adjustments of portfolio investments in previous fiscal years, carried out during fiscal years 2008 and 2007, amount to € (8.02) million and € 12.43 million, both net, respectively.

B) Trading portfolio

Investments allocated to the trading portfolio as at 31 December 2007 and 2008 are detailed below.

31/12/2008			
CONCEPT	BOOK VALUE (FAIR VALUE)	GAINS	LOSSES
Shares	28	-	-
Fixed income	-	-	-
Investment funds	18,402	-	(1,847)
Others	14,145	-	-
TOTAL TRADING PORTFOLIO	32,575	-	(1,847)

(FIGURES IN THOUSANDS OF EUROS)

31/12/2007			
CONCEPT	BOOK VALUE (FAIR VALUE)	GAINS	LOSSES
Shares	30	3	-
Fixed income	-	-	-
Investment funds	17,037	1,204	-
Others	12,655	991	-
TOTAL TRADING PORTFOLIO	29,722	2,198	-

(FIGURES IN THOUSANDS OF EUROS)

Capital gains and losses in the trading portfolio are recorded in the income statement. The relevant information is included in Note 6.15 "Revenues and expenses from investments".

C) Other investments

The breakdown of "Other investments" for years 2007 and 2008 is shown in the following tables:

EJERCICIO 2008				
	BOOK VALUE	RESERVE	NET BALANCE	MARKET VALUE
Group companies	364	(3)	361	361
Other investments	176,479		176,479	176,479
TOTAL	176,843	(3)	176,840	176,843

(FIGURES IN THOUSANDS OF EUROS)

EJERCICIO 2007				
	BOOK VALUE	RESERVE	NET BALANCE	MARKET VALUE
Group companies	2,993	(2,892)	101	101
Other investments	389		389	389
TOTAL	3,382	(2,892)	490	490

(FIGURES IN THOUSANDS OF EUROS)

6.5. CREDITS AND RECEIVABLES

The following tables show the composition of credits and receivables as at 31 December 2008 and 2007; they also show the deterioration losses and gains on reversal of deterioration recorded in the last two fiscal years

BALANCE AS AT 31/12/2008						
CONCEPT	GROSS AMOUNT	RESERVE FOR DETERIORATION (-)	NET BALANCE IN BALANCE SHEET	RECORDED LOSSES	GAINS ON REVERSAL	GUARANTEES RECEIVED
Credits on reinsurance transactions	145,842	(1,188)	144,654		657	
Tax credits	1,332		1,332			
Corporate and other credits	9,895		9,895			
TOTAL CREDITS	157,069	(1,188)	155,881		657	

(FIGURES IN THOUSANDS OF EUROS)

BALANCE AS AT 31/12/2007						
CONCEPT	GROSS AMOUNT	RESERVE FOR DETERIORATION (-)	NET BALANCE IN BALANCE SHEET	RECORDED LOSSES	GAINS ON REVERSAL	GUARANTEES RECEIVED
Credits on reinsurance transactions	162,323	(1,845)	160,478	(673)		
Tax credits	7,185		7,185			
Corporate and other credits	8,576		8,576			
TOTAL CREDITS	178,084	(1,845)	176,239	(673)		

(FIGURES IN THOUSANDS OF EUROS)

The balances included under credits and receivables do not accrue interest and, generally, settlement is made in the following year.

6.6. DETERIORATION OF ASSETS

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

FISCAL YEAR 2008								
DETERIORATION IN:	OPENING BALANCE	ADJUSTMENTS TO OPENING BALANCE	CHANGES IN PERIMETER	RECORDING IN RESULTS		DIRECT RECORDING IN EQUITY		CLOSING BALANCE
				RESERVE	REDUCTION	RESERVE	REDUCTION	
INTANGIBLE ASSETS								
I. Goodwill								
II. Other intangible assets								
TANGIBLE FIXED ASSETS								
I. Property for own use								
II. Other tangible fixed assets								
INVESTMENTS								
I. Investment property	(31)		31					0
II. Financial investments								
- Portfolio held to maturity								
- Portfolio available for sale					(2,650)			(2,650)
- Trading portfolio								
III. Investments recorded by the equity method								
IV. Deposits established for accepted reinsurance								
V. Other investments	(2,892)	2,892						0
CREDITS								
I. Credits on direct insurance and coinsurance transactions								
II. Credits on reinsurance transactions	(1,845)					657		(1,188)
III Tax credits								
IV Corporate and other credits								
V Shareholders, called capital								
OTHER ASSETS								
TOTAL DETERIORATION	(4,768)	2,892	31	(2,650)	657			(3,838)

(FIGURES IN THOUSANDS OF EUROS)

FISCAL YEAR 2007

DETERIORATION IN:	OPENING BALANCE	ADJUSTMENTS TO OPENING BALANCE	CHANGES IN PERIMETER	RECORDING IN RESULTS		DIRECT RECORDING IN EQUITY		CLOSING BALANCE
				RESERVE	REDUCTION	RESERVE	REDUCTION	
INTANGIBLE ASSETS								
I. Goodwill								
II. Other intangible assets								
TANGIBLE FIXED ASSETS								
I. Property for own use								
II. Other tangible fixed assets								
INVESTMENTS								
I. Investment property	(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 investments	(2,996)	74				30		(2,892)
CREDITS								
I. Credits on direct insurance and coinsurance transactions								
II. Credits on reinsurance transactions	(1,248)	76		(673)				(1,845)
III. Tax credits								
IV. Corporate and other credits								
V. Shareholders, called capital								
OTHER ASSETS								
TOTAL DETERIORATION	(4,313)	150		(673)		68		(4,768)

(FIGURES IN THOUSANDS OF EUROS)

6.7 CASH

There are no significant monetary transactions relating to investment and finance activities, having been excluded in the preparation of the cash flow statement.

During 2007, disposals were made of investments in Group companies, amounting to € 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	AMOUNT
ASSETS	
Investments	20,528
Credits	1,071
Cash	5,343
Accrual adjustments	3,274
TOTAL ASSETS	30,216
LIABILITIES	
Debts	9,426
TOTAL LIABILITIES	9,426
Fair value of net assets	
Total realisation	21,790

(FIGURES IN THOUSANDS OF EUROS)

There are no significant monetary transactions, related to investment and finance activities, having been excluded from the cash flow statements.

6.8. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Discontinued operations

2008

There were no discontinued operations in 2008.

2007

In the context of the restructuring carried out in the US market, virtually all of the Mapfre Reinsurance Corporation reinsurance business was transferred to Mapfre Re, and the former company was 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 € 22.41 million and it was received fully in cash. The result of the said transaction amounted to a loss of € 3.24 million, as a consequence of the materialisation of negative conversion differences prior to the date of transition to IFRS. Revenues and expenses of discontinued operations were not eliminated from the income statement of ongoing concerns, because the said amounts were negligible and below 1% of revenues and expenses of the insurance business. For the same reason, the breakdowns required by IFRS 5 were not made.

The fair value of Mapfre Reinsurance Corporation's identifiable assets and liabilities as at the date of sale were:

CONCEPT	AMOUNT
ASSETS	
Investments	20,528
Credits	1,071
Cash	5,343
Other assets	3,274
TOTAL ASSETS	30,216
LIABILITIES	
Debt	9,426
TOTAL LIABILITIES	9,426
Fair value of net assets	
Total realisation	21,790

(FIGURES IN THOUSANDS OF EUROS)

6.9. EQUITY

Share capital

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

The controlling Company's share capital as at 31 December 2008 is represented by 72,231,068 registered shares of a single class, with a face value of € 3.10 each, fully subscribed and paid. All the shares confer the same voting and economic rights.

Restrictions on the availability of reserves

The "Reserves" heading includes the legal reserve, amounting to € 37.5 million in 2008 and € 28.32 million in 2007. 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 Group's equity accounts.

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

Capital management

MAPFRE has in place an internal capitalisation and dividend policy aimed at providing its Units, reasonably and objectively, with the required capitals 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 fiscal years 2008 and 2007 is € 716.04 million and € 695.28 million respectively. Both figures exceed the required minimum (i.e. € 249.1 million and € 223.08 million respectively) by 2.9 times in fiscal year 2008 and 3.1 times in 2007.

6.10. TECHNICAL RESERVES

The following tables show the composition of the balance of each one of the technical reserves recorded in the balance sheet in the last two fiscal years.

FISCAL YEAR 2008		
CONCEPTS	ACCEPTED REINSURANCE	RETROCEDED REINSURANCE
1. Reserves for unearned premiums and for risks in progress	986,630	347,080
1.1 Reserve for unearned premiums	984,759	347,080
1.2 Reserve for risks in progress	1,871	
2. Reserves for life insurance	117,633	10,240
2.1 Reserves for unearned premiums and risks in progress	74,300	10,240
2.1.1 Reserve for unearned premiums	74,300	10,240
2.1.2 Reserve for risks in progress		
2.2 Future policy benefits	43,333	
3. Reserves for claims	939,683	279,325
3.1 Provisions for outstanding claims	939,683	279,325
TOTAL	2,043,946	636,645

(FIGURES IN THOUSANDS OF EUROS)

EJERCICIO 2007		
CONCEPTS	ACCEPTED REINSURANCE	RETROCEDED REINSURANCE
1. Reserves for unearned premiums and for risks in progress	913,920	332,416
1.1 Reserve for unearned premiums	913,901	332,416
1.2 Reserve for risks in progress	19	
2. Reserves for life insurance	125,630	12,600
2.1 Reserves for unearned premiums and risks in progress	77,939	12,600
2.1.1 Reserve for unearned premiums	77,939	
2.1.2 Reserve for risks in progress		
2.2 Future policy benefits	47,691	
3. Reserves for claims	766,271	206,507
3.1 Provisions for outstanding claims	766,271	206,507
TOTAL	1,805,821	551,523

(FIGURES IN THOUSANDS OF EUROS)

The following tables show the movements of each one of the technical reserves recorded in the balance sheet in the last two fiscal years.

Accepted reinsurance

FISCAL YEAR 2008							
CONCEPT	OPENING BALANCE	ADJUSTMENTS TO OPENING BALANCE	CHANGES IN PERIMETER	ALLOCATIONS	APPLICATIONS	VARIATION	CLOSING BALANCE
I. Reserve for unearned premiums/risks in progress	913,920	113		986,630	(914,033)	72,597	986,630
1- Reserve for unearned premiums	913,901	113		984,759	(914,014)	70,745	984,759
2- Reserve for risks in progress	19			1,871	(19)	1,852	1,871
II. Reserves for life insurance	125,630	(5,338)		117,633	(120,292)	(2,659)	117,633
1- Reserve for unearned premiums	77,939			74,300	(77,939)	(3,639)	74,300
2- Reserve for risks in progress							
3- Policy reserve	47,691	(5,338)		43,333	(42,353)	980	43,333
III. Reserves for profit sharing							
IV. Reserve for claims	766,271			939,683	(766,271)	173,412	939,683
V. Other technical reserves							
TOTAL	1,805,821	(5,225)		2,043,946	(1,800,596)	243,350	2,043,946

(FIGURES IN THOUSANDS OF EUROS)

FISCAL YEAR 2007							
CONCEPT	OPENING BALANCE	ADJUSTMENTS TO OPENING BALANCE	CHANGES IN PERIMETER	ALLOCATIONS	APPLICATIONS	VARIATION	CLOSING BALANCE
I. Reserve for unearned premiums/risks in progress	807,269	167	(25)	913,920	(807,436)	106,484	913,920
1- Reserve for unearned premiums	807,143	167	(25)	913,901	(807,310)	106,591	913,901
2- Reserve for risks in progress	126			19	(126)	(107)	19
II. Reserves for life insurance	125,205	(14,575)		125,630	(110,630)	15,000	125,630
1- Reserve for unearned premiums	69,711			77,939	(69,711)	8,228	77,939
2- Reserve for risks in progress							
3- Policy reserve	55,494	(14,575)		47,691	(40,919)	6,772	47,691
III. Reserves for profit sharing							
IV. Reserve for claims	723,767	1,344	(5,341)	766,271	(719,770)	46,501	766,271
V. Other technical reserves							
TOTAL	1,656,241	(13,064)	(5,366)	1,805,821	(1,637,836)	167,985	1,805,821

(FIGURES IN THOUSANDS OF EUROS)

Changes in perimeter are due to the sale of MAPFRE REINSURANCE CORPORATION (USA).

Retroceded Reinsurance

FISCAL YEAR 2008

CONCEPT	OPENING BALANCE	ADJUSTMENTS TO OPENING BALANCE	CHANGES IN PERIMETER	ALLOCATIONS	APPLICATIONS	VARIATION	CLOSING BALANCE
Reserve for unearned premiums	332,416	111		347,080	(332,527)	14,554	347,080
Reserves for Life Insurance	12,597	3		10,240	(12,600)	(2,360)	10,240
Reserve for claims	206,510			279,325	(206,510)	74,258	279,325
Other technical reserves							
TOTAL	551,523	114		636,645	(551,637)	86,452	636,645

(FIGURES IN THOUSANDS OF EUROS)

EJERCICIO 2007

CONCEPT	OPENING BALANCE	ADJUSTMENTS TO OPENING BALANCE	CHANGES IN PERIMETER	ALLOCATIONS	APPLICATIONS	VARIATION	CLOSING BALANCE
Reserve for unearned premiums	283,289	186		332,416	(283,289)	49,127	332,416
Reserves for Life Insurance	7,793			12,597	(7,793)	4,804	12,597
Reserve for claims	234,155			206,510	(234,155)	(27,645)	206,510
Other technical reserves							
TOTAL	525,237	186		551,523	(525,237)	26,286	551,523

(FIGURES IN THOUSANDS OF EUROS)

Future policy benefits

FISCAL YEAR 2008

CONCEPTS	ACCEPTED REINSURANCE
Policy reserve at beginning of the year	47,691
Adjustments to opening balance	(5,338)
Incorporation to perimeter (balance of reserve on incorporation date)	
Premiums	
Technical interest	
Attribution of profit sharing	
Payments/collections of claims	
Losses recognised on reserve adequacy test	
Tacit accounting adjustments	
Others	980
Exit from perimeter (balance of reserve on exit date)	
Policy reserve at year end	43,333

(FIGURES IN THOUSANDS OF EUROS)

FISCAL YEAR 2007

CONCEPTS	ACCEPTED REINSURANCE
Policy reserve at beginning of the year	55,494
Adjustments to opening balance	(14,575)
Incorporation to perimeter (balance of reserve on incorporation date)	
Premiums	
Technical interest	
Attribution of profit sharing	
Payments/collections of claims	
Losses recognised on reserve adequacy test	
Tacit accounting adjustments	
Others	6,772
Exit from perimeter (balance of reserve on exit date)	
Policy reserve at year end	47,691

(FIGURES IN THOUSANDS OF EUROS)

Evolution of claims per year of occurrence

Details on the evolution 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.

During 2008 a study was ordered on the adequacy of the technical reserves established at the closing of the 2007 fiscal year. Such study was carried out by an independent and prestigious external firm and it has revealed the adequacy of said reserves.

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 fiscal years.

FISCAL YEAR 2008									
ITEM	OPENING BALANCE	CHANGE IN PERIMETER	ADJUST. TO THE OPENING BALANCE	APPROPRIATIONS		CANCELLATIONS		CLOSING BALANCE	AMOUNT OF RECOGNISED REIMBURSEMENTS
				ALLOCATED RESERVES	INCREASED VALUE ON DISCOUNT	APPLIED RESERVES	REVERSED RESERVES		
Reserve for taxes	169	169							
Reserves for staff incentives	952			1,174	(952)		1,174		
Other reserves	6,936			1,769	(210)		8,495	7,581	
TOTAL BOOK VALUE	8,057	(169)		2,943	(1,162)		9,669		

(FIGURES IN THOUSANDS OF EUROS)

Changes in perimeter are due to the winding-up of Inversiones Mapfre Re (Colombia)

FISCAL YEAR 2007									
ITEM	OPENING BALANCE	CHANGE IN PERIMETER	ADJUST. TO THE OPENING BALANCE	APPROPRIATIONS		CANCELLATIONS		CLOSING BALANCE	AMOUNT OF RECOGNISED REIMBURSEMENTS
				ALLOCATED RESERVES	INCREASED VALUE ON DISCOUNT	APPLIED RESERVES	REVERSED RESERVES		
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
TOTAL BOOK VALUE	7,970	(307)	1,429	(1,035)				8,057	

(FIGURES IN THOUSANDS OF EUROS)

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

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 liquidation treaties, reversal fund, restructuring, staff incentives, and others deriving from the activities of the companies forming the Group, the settlement which will take place over the coming years. The estimation of the allocated amount or of the timeframe when the reserve 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 reserve 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 coverage contracts entered into according to usual business practices. Such deposits accrue interest to be paid ranging between 3% and 3.5% and the average rollover period is generally annual. Liquidation of the 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 liquidation is carried out in the following fiscal 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 entities, amounting to € 15.97 million and € 10.99 million in fiscal years 2008 and 2007, respectively. Fixed income securities of the portfolio available for sale, amounting to € 191.37 million and € 174.81 million in 2008 and 2007, 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 revenues and expenses from investments for fiscal years 2008 and 2007 is shown below:

CONCEPT	REVENUES FROM INVESTMENTS OF				TOTAL	
	OPERATIONS		EQUITY		2008	2007
	2008	2007	2008	2007		
REVENUES FROM INTEREST, DIVIDENDS AND SIMILAR						
Investment property	2,180	2,473		1,642	2,180	4,115
- Rentals	2,180	2,473		112	2,180	2,585
- Others				1,530		1,530
Revenues from the portfolio held to maturity	6,334	5,366	889	442	7,223	5,808
- Fixed income				5		5
- Other investments	6,334	5,366	889	437	7,223	5,803
Revenues from the portfolio available for sale	57,562	52,630	9,325	6,212	66,887	58,842
Revenues from the trading portfolio	860	343	350	24	1,210	367
Dividends from Group companies			17		17	
Other financial returns	11,547	8,106		2,154	11,547	10,260
TOTAL REVENUES	78,483	68,918	10,581	10,474	89,064	79,392
REALISED AND UNREALISED GAINS						
Realised gains:	11,497	19,876	2,189	2,885	13,686	22,761
Investment property			367		367	
Financial investments portfolio held to maturity						
Financial investments portfolio available for sale	11,410	17,870	1,801	2,716	13,211	20,586
Financial investments trading portfolio		2,006		169		2,175
Others	87		21		108	
Unrealised gains:		21	219	2	219	23
Increase of fair value in the trading portfolio		21		2		23
Others			219		219	
TOTAL GAINS	11,497	19,897	2,408	2,887	13,905	22,784
TOTAL REVENUES FROM INVESTMENTS	89,980	88,815	12,989	13,361	102,969	102,176

(FIGURES IN THOUSANDS OF EUROS)

CONCEPT	EXPENSES FROM INVESTMENTS OF				TOTAL	
	OPERATIONS		EQUITY		2008	2007
	2008	2007	2008	2007		
EXPENSES FROM INTEREST, DIVIDENDS AND SIMILAR						
Investment property	961	1,005			961	1,005
- Rentals	693	693			693	693
- Others	268	312			268	312
Expenses from the portfolio held to maturity				1		1
- Fixed income				1		1
- Other investments						
Expenses from the portfolio available for sale		4,709	2,055	314	2,055	5,023
Expenses from the trading portfolio						
Other financial expenses	2,113	3,995	3,139	4,757	5,252	8,752
TOTAL EXPENSES	3,074	9,709	5,194	5,072	8,268	14,781
REALISED AND UNREALISED LOSSES						
Realised losses:	19,529	7,554	3,550	1,224	23,079	8,778
Investment property						
Financial investments portfolio held to maturity						
Financial investments portfolio available for sale	18,000	7,090	3,229	1,064	21,229	8,154
Financial investments trading portfolio	1,526	378	321	62	1,847	440
Others	3	86		98	3	184
Unrealised losses:			1,019		1,019	
Decrease of fair value in the trading portfolio						
Others			1,019		1,019	
TOTAL LOSSES	19,529	7,554	4,569	1,224	24,098	8,778
TOTAL EXPENSES FROM INVESTMENTS	22,603	17,263	9,763	6,296	32,366	23,559

(FIGURES IN THOUSANDS OF EUROS)

6.16. OPERATING EXPENSES

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

CONCEPT	REINSURANCE	
	2008	2007
I. Acquisition expenses	455,890	406,356
II. Administration expenses	9,743	9,513
III. Fees and participation retroceded reinsurance	(123,737)	(104,376)
IV. Operating expenses from other activities		
TOTAL NET OPERATING EXPENSES	341,896	311,493

(FIGURES IN THOUSANDS OF EUROS)

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

CONCEPT	AMOUNT	
	2008	2007
Staff expenses (note 6.19)	21,148	19,718
Allocations to amortisation	1,582	1,608
TOTAL	22,730	21,326

(FIGURES IN THOUSANDS OF EUROS)

6.17. RESULTS FROM RETROCEDED REINSURANCE

The result from retroceded reinsurance transactions in fiscal years 2008 and 2007 is shown below.

CONCEPTO	NON LIFE		LIFE		TOTAL	
	2008	2007	2008	2007	2008	2007
Premiums (-)	(563,409)	(516,010)	(20,546)	(18,683)	(583,955)	(534,693)
Variation in the reserve for unearned premiums and for risks in progress	14,551	48,961	(2,357)	4,787	12,194	53,748
Claims paid (+) and variation in the reserve for claims	305,067	185,392	13,617	8,914	318,684	194,306
Variation in the policy reserve						
Variation in other technical reserves						
Participation of reinsurance in fees and expenses(+)	116,776	103,722	6,961	654	123,737	104,376
Other						
RESULT OF RETROCEDED REINSURANCE	(127,015)	(177,935)	(2,325)	(4,328)	(129,340)	(182,263)

(FIGURES IN THOUSANDS OF EUROS)

6.18. TAX SITUATION

Since fiscal year 2002, MAPFRE RE forms part of the companies that are included, for Company Tax purposes, under Tax Group number 9/85, and which is formed by MAPFRE S.A. and those of its subsidiaries that meet the requirements to be subject to said tax scheme.

Elements of expense from income tax and reconciliation of the accounting result with the tax cost of ongoing concerns.

A detail is provided below, for fiscal years closed as at 31 December 2008 and 2007, 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.

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

CONCEPT	FISCAL YEAR 2008	FISCAL YEAR 2007
Earnings before taxes, ongoing concerns	147,631	134,894
30% of earnings before taxes, ongoing concerns (32.5% in 2007)	(44,289)	(43,841)
Tax impact of permanent differences	9,406	10,192
Tax impact from tax rates different from 30% (32.5% in 2007)	464	(201)
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.	(9,639)	(10,042)
TOTAL	(44,058)	(43,892)

(FIGURES IN THOUSANDS 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 fiscal years.

The following tables provide a breakdown of movements for fiscal years 2008 and 2007 of the deferred tax assets heading, detailing their amount in relation to items directly debited or credited to equity accounts in each fiscal year.

FISCAL YEAR 2008

CONCEPTS	OPENING BALANCE FISCAL YEAR 2008	ADJUSTS. TO OPENING BALANCE	CHANGES IN PERIMETER	ARISING FROM		CLOSING BALANCE FISCAL YEAR 2008
				RESULTS	EQUITY	
Valuation difference in financial investments					5,722	5,722
Embedded derivatives						
Valuation difference in future policy benefits						
Valuation difference in death reserves						
Capital increase expenses, other depreciable expenses	234				(96)	138
Tax credits on negative tax bases						
Tax credits (Deductions pending and others, etc.)						
Others	6,325	3,185		479	175	10,164
TOTAL DEFERRED TAX ASSETS	6,559	3,185		479	5,801	16,024

(FIGURES IN THOUSANDS OF EUROS)

FISCAL YEAR 2007

CONCEPTS	OPENING BALANCE FISCAL YEAR 2008	ADJUSTS. TO OPENING BALANCE	CHANGES IN PERIMETER	ARISING FROM		CLOSING BALANCE FISCAL YEAR 2008
				RESULTS	EQUITY	
Valuation difference in financial investments						
Embedded derivatives						
Valuation difference in future policy benefits						
Valuation difference in death reserves						
Capital increase expenses, other depreciable expenses		396		(162)		234
Tax credits on negative tax bases	2,833		(2,833)			234
Tax credits (Deductions pending and others, etc.)			(159)			
Others	6,836	(761)		409		6,325
TOTAL DEFERRED TAX ASSETS	9,669	(365)	(2,992)	247		6,559

(FIGURES IN THOUSANDS OF EUROS)

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

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

FISCAL YEAR 2008

Foreign taxes	7,206 thousand Euros
Prepaid taxes from pension related commitments	2,782 thousand Euros

FISCAL YEAR 2007

Foreign taxes	3,960 thousand Euros.
Prepaid taxes from pension related commitments	2,306 thousand Euros

Deferred tax assets of the fully consolidated companies, as a consequence of negative tax bases pending application and of deductible temporary differences accumulated as at 31 December 2008 and 2007 amount to € 16.02 million and € 6.78 million, respectively. Of these amounts, € 16.02 million have been recorded in the balance sheet and in the equity or results accounts as at 31 December 2008, and € 6.56 million as at 31 December 2007.

The Company reckons that there will be future tax profits against which to offset the deferred tax assets recorded in fiscal years 2008 and 2007. This expectation is based on projections made, based on the past historical experience and estimated according to reasonable assumptions, deriving from past occurrences.

The following tables show the movements of the deferred tax liabilities heading for fiscal years 2008 and 2007.

FISCAL YEAR 2008							
CONCEPTS	OPENING BALANCE FISCAL YEAR 2008	ADJUSTS. TO OPENING BALANCE	CHANGES IN PERIMETER	FROM		CANC.	CLOSING BALANCE FISCAL YEAR 2008
				RESULTS	EQUITY		
Valuation difference in financial investments	7,227	(566)		(1)	(6,618)		42
Embedded derivatives							
Stabilisation and catastrophic reserve (elimination)	18,991			718			19,709
Other	778	5		11,267	1		12,051
TOTAL DEFERRED TAX LIABILITIES	26,996	(561)		11,984	(6,617)		31,802

(FIGURES IN THOUSANDS OF EUROS)

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

(FIGURES IN THOUSANDS OF EUROS)

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

FISCAL YEAR 2008

Elimination of losses in investments available for sale for 11,702 thousand Euros.

Elimination of exchange differences in monetary items for 330 thousand Euros.

FISCAL 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 conversion differences for 96 thousand Euros

Tax liabilities of subsidiaries for 46 thousand Euros

All the deferred tax liabilities of fully consolidated companies as a result of taxable temporary differences accumulated as at 31 December 2008 and 31 December 2007 were recognised in the balance sheet at said dates.

The detail of tax incentives in fully consolidated companies for fiscal years 2008 and 2007 is as follows:

DETAIL OF TAX INCENTIVES -FISCAL YEAR 2008					
TYPE	FISCAL YEAR TO WHICH THEY RELATE	AMOUNT APPLIED IN THE FISCAL YEAR	AMOUNT PENDING APPLICATION	AMOUNT NOT RECORDED	PERIOD FOR ALLOCATION
Tax relief on investments					
Creation of employment					
Others	2008	475			

(FIGURES IN THOUSANDS OF EUROS)

DETAIL OF TAX INCENTIVES -FISCAL YEAR 2007					
TYPE	FISCAL YEAR TO WHICH THEY RELATE	AMOUNT APPLIED IN THE FISCAL YEAR	AMOUNT PENDING APPLICATION	AMOUNT NOT RECORDED	PERIOD FOR ALLOCATION
Tax relief on investments					
Creation of employment					
Others	2007	12			

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

Likewise, in fiscal year 2002, the controlling Company allocated income amounting to € 6.35 million 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 Corporation Tax base for 2002 of €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's 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 the said Royal Decree Act.

This property was recorded for the amount of € 30,000,000.81 and was accounted for at CORPORACIÓN MAPFRE in the amount of € 11,868,822.10, and the accumulated depreciation up to the contribution date amounted to € 1,567,104.37.

In accordance with the Spanish company's legislation in force, 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.

As at 31 December 2008, the fully consolidated Spanish companies have open to inspection all the taxes to which they are subject for fiscal years 2004 to 2008, as well as all the other taxes corresponding to fiscal years 2004 to 2008.

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

6.19. REMUNERATION TO STAFF AND RELATED LIABILITIES

1. Personnel expenses

The breakdown of staff expenses in the last two fiscal years is shown in the following table:

CONCEPT	AMOUNT	
	2008	2007
Short term remuneration	19,758	18,417
Wages and salaries	15,415	13,646
Social security	2,234	2,479
Other remuneration	2,109	2,292
Post-employment benefits	1,383	1,147
Defined contribution commitments	73	564
Defined benefit commitments	1,310	583
Other long term benefits		
Termination benefits	97	154
Total	21,148	19,718

(FIGURES IN THOUSANDS OF EUROS)

In 2007, pursuant to the provisions of article 41.2 of the MAPFRE Insurance Group's Workers Agreement, there was 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 the said change, in addition to paying the said year's contribution according to the new conditions, an initial contribution was 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 was allocated to results.

2. Post-employment benefits

A) DESCRIPTION OF THE DEFINED BENEFIT PLANS IN FORCE

The defined benefit plans 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 fiscal years of the present value of the obligation arising from defined benefit plans is shown below.

CONCEPT	2008	2007
Present value of the obligation as at 1 January	6,527	6,716
Cost of services in the year under review	433	1,292
Interest cost	321	293
Contributions made by plan members	--	-
Actuarial losses and gains	995	(1,253)
Changes from variations in exchange rates	--	-
Benefits paid	(23)	(34)
Cost of past services	--	--
Reductions	--	--
Liquidations	--	(487)
Present value of the obligation as at 31 December 2008	8,253	6,527

(FIGURES IN THOUSANDS OF EUROS)

Actuarial losses and gains in fiscal years 2008 and 2007 mainly arise from the decrease and increase, respectively, in the interest rate applied to the calculation of the present obligation as at the balance sheet date with respect to the previous one,

The amount shown under "Liquidations" 2008 relates to the liquidation of the defined benefit plan 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 fiscal years.

CONCEPT	2008	2007
Value of redemption right as at 1 January	6,504	6,481
Expected return from redemption right	428	244
Actuarial losses and gains	11	(495)
Changes from variations in the exchange rate	--	
Contributions made by employer	661	774
Contributions made by plan members	--	
Benefits paid	(23)	(34)
Business combinations	--	
Liquidations	--	(466)
Value of redemption right as at 31 December	7,581	6,504

(FIGURES IN THOUSANDS OF EUROS)

The amount shown under "Liquidations" 2008 relates to the liquidation of the defined benefit plan that is described in the opening paragraph of this note.

C) AMOUNTS RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT

The following table details the amounts recognised in the consolidated income statement of fiscal years 2008 and 2007.

CONCEPT	2008	2007
Cost of services in the year under review	433	1,292
Interest cost	321	293
Return expected from assets allocated to the plan	-	-
Return expected from any redemption right recognised as an asset	(428)	(244)
Actuarial losses and gains	984	(758)
Cost of past services recognised in the year	-	-
Other concepts	-	-
Present value of the obligation as at 31 December 2008	1,310	583

(FIGURES IN THOUSANDS OF EUROS)

Actuarial losses and gains in fiscal years 2008 and 2007 mainly arise from the decrease and increase, respectively, in the interest rate applied to the calculation of the present obligation as at the balance sheet date with respect to the previous one.

In addition, in 2007, positive results were recorded on the liquidation of the defined benefit plan mentioned in the opening section 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 19.104 A amounted to 470 thousand Euros in 2008 and 440 thousand Euros in 2007.

E) ASSUMPTIONS

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

CONCEPT	2008	2007
DEMOGRAPHICAL ASSUMPTIONS		
Mortality tables	GKM/F-95	GKM/F-95
Survival tables	PERMI/F-2000	PERMI/F-2000
FINANCIAL ASSUMPTIONS		
Discount rate	3-3.78%	3-4.66%
Average annual salary increase	5%	5%
Average annual CPI	3%	3%
Expected return from plan assets/redemption rights	3.78%	3.59%

F) ESTIMATES

The best estimate of the contributions to the plan in 2009 has been made according to the staff existing at the Group as at 31 December 2008 and it amounts to 180 thousand Euros.

3. Share-based payments

The Extraordinary Shareholders Meeting of MAPFRE, S.A., held on 4 July 2007, approved the incentive plan linked to the value of the shares for the MAPFRE Group's officers 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 was replaced with the closing share price of 31 December 2007, which was € 3.42 per share.

— Exercise of the rights: 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 657,894 shares in 2008, with the exercise price being, as mentioned above, of € 3.42 per share.

No cancellation took place during the year.

In order to obtain the fair value of the granted options, a valuation model based on binomial trees was applied, taking the following parameters into account:

— Risk-free interest rate: the zero coupon rate arising from the IRS (Interest Rate Swap) curve for the Euro for the maturity term of the option.

— Dividend yield: that resulting from the dividends paid against the latest fiscal year closed (2007) and the closing share price of fiscal year 2008.

— Volatility of the underlying asset: that resulting from the performance of the MAPFRE share price during fiscal year 2008.

According to the above mentioned parameters, the said remuneration system is measured and recognised in the income statement pursuant to the rules explained in Note 5.14 of the annual report. Personnel expenses accounted for in the income statement in this concept amount to 29 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 fiscal years.

2008										
	OFFICERS		CLERKS		SALESPeOPLE		OTHERS		TOTAL	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
SPAIN	37	11	17	37			19	8	73	56
REST EU	7	1	3	8	1	1	11	6	22	16
AMERICA	17	6	8	23	5	2	23	11	53	42
REST WORLD	1	1					1	4	2	5
TOTAL	62	19	28	68	6	3	54	29	150	119

2007										
	OFFICERS		CLERKS		SALESPeOPLE		OTHERS		TOTAL	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
SPAIN	37	9	17	39	-	-	16	7	70	55
REST EU	6	1	4	9	2	-	7	4	19	14
AMERICA	14	7	19	25	5	2	14	7	52	41
REST WORLD	1	1	-	-	-	-	1	4	2	5
TOTAL	58	18	40	73	7	2	38	22	143	115

6.20 NET RESULTS ON EXCHANGE DIFFERENCES

Positive exchange differences other than those arising from financial instruments measured at fair value, allocated to the consolidated income statement, amount to € 214.14 million and € 74.37 million in the 2008 and 2007 fiscal years, respectively.

Negative exchange differences other than those arising from financial instruments measured at fair value, allocated to the consolidated income statement, amount to € 185.1 million and € 86.39 million in the 2008 and 2007 fiscal years, respectively.

The reconciliation of the forex conversion recognised in equity at the beginning and the end of the year, in 2008 and 2007, is shown below.

ITEMS	AMOUNT	
	2008	2007
Forex conversion differences at beginning of year	18,576	14,055
Net exchange differences on conversion of financial statements	(12,543)	4,521
Forex conversion differences at year end	6,033	18,576

(FIGURES IN THOUSANDS OF EUROS)

As at 31 December 2008 and 2007, net exchange differences arising from the conversion into Euros of the financial statements of those Group companies whose functional currency is not the Euro are:

FULLY CONSOLIDATED COMPANIES								
COMPANY	COUNTRY	CURRENCY	FOREX CONVERSION DIFFERENCES					
			POSITIVE		NEGATIVE		NET	
			2008	2007	2008	2007	2008	2007
Inversiones Ibéricas	Chile	Chilean Peso		456	(2,645)		(2,645)	456
Mapfre Chile Reas	Chile	Chilean Peso		6	(6,339)		(6,339)	6
Inversiones Mapfre Re	Colombia	Colombian Peso		2,071				2,071
Mapfre Re do Brazil	USA	US Dollar		-	(5,549)		(5,549)	
Mapfre Re	Spain	Euro	20,566	16,043			20,566	16,043
TOTAL			20,656	18,576	(14,533)		6,033	18,576

(FIGURES IN THOUSANDS OF EUROS)

The result recognised directly in equity of the revaluation of non cash items in the last two years is detailed below.

		EXCHANGE DIFFERENCES ACCOUNTED FOR DIRECTLY IN EQUITY					
		FOREX CONVERSION DIFFERENCES					
COMPANY	GEOGRAPHICAL AREA	POSITIVE		NEGATIVE		NET	
		2008	2007	2008	2007	2008	2007
MAPFRE RE	SPAIN			(1,100)	(1,801)	(1,100)	(1,801)
TOTAL				(1,100)	(1,801)	(1,100)	(1,801)

(FIGURES IN THOUSANDS OF EUROS)

6.21. CONTINGENT ASSETS AND LIABILITIES

As 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 1.56 million. The sales agreement of this company to Mapfre USA contemplates a price adjustment after three years, according to the evolution of the M.R.C. business. This 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	
	2008	2007	2008	2007
Received/rendered services and other expenses/revenues	4,597	3,859		
Expenses/revenues from investment property				
Expenses/revenues from investments and financial accounts	4,390	452		
Other non-technical expenses/revenues		975	1,926	1,548
Dividends received			2,760	4,495
TOTAL	8,987	5,286	4,686	6,043

(FIGURES IN THOUSANDS OF EUROS)

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

CONCEPT	EXPENSES	
	2008	2007
Expenses and revenues from investment property	-	2,045
External services and other non-technical expenses/revenues	3,826	3,462
Dividends paid	-	2,540
TOTAL	3,826	8,047

(FIGURES IN THOUSANDS 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	
	2008	2007	2008	2007
Premiums ceded/accepted	4,368	4,531	4,489	4,566
Claims	3,165	3,964	3,237	3,355
Variation in technical reserves	4			194
Fees	(1,307)	(1,690)	1,066	1,249
Other technical expenses and revenues				
TOTAL	6,230	6,805	8,792	9,364

(FIGURES IN THOUSANDS OF EUROS)

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

CONCEPT	REVENUES/(EXPENSES)			
	ACCEPTED REINSURANCE		CEDED REINSURANCE	
	2008	2007	2008	2007
Premiums	686,806	592,989	(42,768)	(22,874)
Claims	(311,319)	(262,575)	25,614	9,249
Fees	(169,989)	(156,776)	7,104	2,395
TOTAL	205,498	173,638	(10,050)	(11,230)

(FIGURES IN THOUSANDS OF EUROS)

The following tables detail the balances with reinsurers and ceding companies, deposits established and technical reserves 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	
	2008	2007	2008	2007	2008	2007	2008	2007
Credits and debts	(72)	39	62	627	63,590	67,710	(1,644)	(972)
Deposits	(1,700)	(1,640)	1,703	1,643	156,708	164,735	(8,416)	(3,410)
Technical reserves	6,988	7,576	(6,833)	(7,518)	(581,071)	(581,072)	15,529	15,729
TOTAL	5,216	5,897	(5,068)	(5,248)	(360,773)	(348,627)	5,469	11,347

(FIGURES IN THOUSANDS OF EUROS)

Remuneration of key managerial staff

The following table details the remuneration earned in the last two fiscal 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):

AMOUNT		
CONCEPT	2008	2007
Short term remuneration		
Salaries	1,077,89	753,42
Fixed allowances	211	150,97
Attendance fees	40,71	38,58
Life insurance	39,85	50,32
Other concepts	37,12	41,36
Post-employment remuneration		
Defined contribution	1,000,39	470,93
Defined benefits	50,26	80,10
Other long term benefits		
Share based payments	48,94	40,41
Total	2,506,16	1,626,09

(FIGURES IN THOUSANDS OF EUROS)

External directors' basic remuneration consists of a fixed annual allowance for their belonging to the Board of Directors, which in 2007 amounted to € 25,000 and in 2008 to € 26,375.

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

External directors belonging to Commissions or Delegate Committees also receive an attendance allowance, which amounted to € 2,756 in 2007 and to € 2,908 in 2008.

Executive directors (considering 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, according to the remuneration policy established by the Group for its senior managerial staff, whether or not they are directors. The amount recognised as an expense in year 2008 on this concept increased with respect to the preceding year, basically due to the differences of actuarial results arising between 2007 and 2008. Conversely, executive directors are not entitled to the remuneration established for external directors.

The basic remuneration package of external directors is approved by the General Shareholders Meeting at the proposal of the Board of Directors and pursuant to the report issued by the Nomination and Remuneration Committee. The remuneration of executive directors, attendance fees of the external members of Commissions and Delegate Committees and the fixed allowance for the chairmanship of Territorial Boards are approved by the Board of Directors, pursuant to the report issued by such Committee.

6.23. SUBSIDIES

An official subsidy was received amounting to 33 thousand Euros in fiscal year 2007.

CONCEPT	2007
As at 1 January	0
Received during the year	33
Transferred to the income statement	33
As at 31 December	0

(FIGURES IN THOUSANDS OF EUROS)

There is no failure in complying with the conditions or contingencies related to these subsidies.

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 twentythree types of risks grouped under the following areas: actuarial, legal, technology, staff, collaborators, procedures, reporting, fraud, market and tangible assets.
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, technical reserves 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 regarding 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 equities or credit rating of reinsurers.

The Economic and Management Control Area, through the Risk Management, 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 Capitals

MAPFRE has in place an internal capitalisation and dividend policy aimed at providing the Units, rationally and objectively, with the required capital 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. In addition, the level of capital allocated to each Unit will never be lower than the legally required minimum from time to 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 instances, MAPFRE's Management Committee determines the capitalisation level on a case by case basis.

Operational Risks

The identification and assessment of Operational Risks are carried out by means of the computer application Riskmap, developed by MAPFRE, which prepares the entities' Risk Maps, analysing the significance and probability of occurrence of the different risks.

Likewise, Riskmap is established as the corporate tool to deal with control activities (process manuals, lists of controls associated to risks and assessment of their effectiveness).

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, Technical Reserves, Investments, IT Systems, and Client Service.

Financial Risks

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 keeping a diversified portfolio, consisting of prudently selected securities based on the issuer's solvency.

Both for fixed income and equity investments, diversification criteria are applied by activity sectors and maximum risk limits per 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 tariff fixing, as well as the indemnities or reserve of services in the case of occurrences. Premium adequacy is a particularly important element, and its determination is supported by reports from independent experts in the units or situations where circumstances make it thus advisable.

Treatment of claim related benefits, together with the adequacy of reserves, are basic principles of insurance activity. Technical reserves are estimated by the actuarial teams of the different Units and Companies and their adequacy is ratified by reports from independent experts in those entities where it is considered necessary. The prevalence of the personal damages business 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. MAPFRE RE counts 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 company's financial capacity and, if applicable, taking specific reinsurance covers limiting their impact on equity.

In relation to reinsurance risk, MAPFRE's policy is to cede business to reinsurers with proven financial capacity.

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 duty. 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 Good Governance Code, initially implemented in 1999. The strict application of Good 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 the said ratio, calculated according to its standard deviation in a five-year time horizon.

CONCEPT	IMPACT ON RESULTS OF A 1% VARIATION IN THE COMBINED RATIO NON-LIFE		INDEX OF VOLATILITY OF THE COMBINED RATIO	
	2008	2007	2008	2007
TOTAL	7,233	6,332	2.7%	3.1%

(FIGURES IN THOUSANDS OF EUROS)

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 Company 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 fiscal years:

FISCAL YEAR 2008			
CONCEPT	LIFE	ACCEPTED REINSURANCE	
		CAT RISKS	OTHER RISKS
Written premiums accepted reinsurance	123,853	267,602	1,387,094

(FIGURES IN THOUSANDS OF EUROS)

FISCAL YEAR 2007			
CONCEPT	LIFE	ACCEPTED REINSURANCE	
		CAT RISKS	OTHER RISKS
Written premiums accepted reinsurance	123,224	220,878	1,257,042

(FIGURES IN THOUSANDS 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 fiscal years.

FISCAL YEAR 2008		
	REINSURANCE	
ORDINARY REVENUES	LIFE	NON LIFE
SPAIN	31,369	486,697
OTHER EUROPEAN UNION COUNTRIES	24,220	425,629
AMERICA	65,164	514,371
REST OF THE WORLD	3,100	227,999
TOTAL	123,853	1,654,696

(FIGURES IN THOUSANDS OF EUROS)

EJERCICIO 2007		
	REINSURANCE	
ORDINARY REVENUES	LIFE	NON LIFE
SPAIN	34,632	496,578
OTHER EUROPEAN UNION COUNTRIES	16,773	398,984
AMERICA	65,489	455,038
REST OF THE WORLD	6,330	127,320
TOTAL	123,224	1,477,920

(FIGURES IN THOUSANDS OF EUROS)

2.c) Amounts of premiums per currency

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

CURRENCY	2008	2007
VENEZUELAN BOLIVAR	57,205	72,856
AUSTRALIAN DOLLAR	20,176	22,757
CANADIAN DOLLAR	8,034	8,500
US DOLAR	364,887	292,043
EURO	879,134	818,082
SWISS FRANC	16,342	18,205
POUND STERLING	24,109	31,468
TURKISH LIRA	56,015	29,984
ARGENTINEAN PESO	24,662	21,466
COLOMBIAN PESO	59,129	51,975
CHILEAN PESO	53,893	54,129
MEXICAN PESO	66,181	56,627
JAPANESE YEN	36,620	21,680
OTHERS	112,175	101,394
TOTAL	1,778,562	1,601,166

(FIGURES IN THOUSANDS 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 fiscal years.

CONCEPT	BOOK VALUE COMPANIES					
	GROUP		NON GROUP		TOTAL	
	2008	2007	2008	2007	2008	2007
Participation of reinsurance in technical reserves	23,069	26,149	613,576	525,374	636,645	551,523
Credits from reinsurance operations	290	232	9,437	9,802	9,727	10,034
TOTAL DEBTOR POSITIONS	23,359	26,381	623,013	535,176	646,372	561,557
Deposits received from ceded and retroceded reinsurance	6,737	7,920	110,792	122,009	117,529	129,929
Debs from reinsurance operations	1,988	3,174	50,156	51,836	52,144	55,010
TOTAL CREDITOR POSITIONS	8,725	11,094	160,948	173,845	169,673	184,939
TOTAL NET POSITION	14,634	15,287	462,065	361,331	476,699	376,618

(FIGURES IN THOUSANDS OF EUROS)

REINSURERS' CREDIT RATING	BOOK VALUE COMPANIES					
	GROUP		NON GROUP		TOTAL	
	2008	2007	2008	2007	2008	2007
AAA	0		2,672	10,893	2,672	10,893
AA	13,953	15,287	330,503	217,746	344,456	233,033
A	354		117,476	98,693	117,830	98,693
BBB	323		11,068	32,947	11,391	32,947
BB OR LOWER	0		83	63	83	63
WITHOUT CREDIT RATING	4		263	989	267	989
TOTAL	14,634	15,287	462,065	361,331	476,699	376,618

(FIGURES IN THOUSANDS OF EUROS)

The balances corresponding to credits from reinsurance transactions amount to € 144,6 million and € 160,48 million as at 31 December 2008 and 2007, respectively. The deterioration related loss estimate is recorded in the income statement in accordance with the rules laid down in accounting policy 5.5.

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

CREDIT RATING OF ISSUERS	BOOK VALUE PORTFOLIO AVAILABLE FOR SALE	
	2008	2007
AAA	528,305	528,219
AA	612,331	398,884
A	259,921	256,141
BBB	9,539	3,905
BB OR LOWER	13	16
WITHOUT CREDIT RATING	3,912	12,107
TOTAL	1,414,021	1,199,272

(FIGURES IN THOUSANDS OF EUROS)

C) LIQUIDITY RISK

With respect to 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, as at 31 December 2007, the cash and cash equivalent balance amounted to € 33,8 million (€ 32,09 million in the preceding year), equivalent to 1.38% of total financial investments and cash. On the other hand, regarding 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 General Investment Management 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 equities.

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	
	2008	2007	2008	2007	2008	2007	2008	2007
AVAILABLE FOR SALE	1,298,511	1,063,251	115,510	136,191	169,343	219,011	1,583,364	1,418,453
TRADING		11,318	10,770	612	21,805	17,792	32,575	29,722
HELD TO MATURITY		170,821		-		8,098		178,919
OTHER INVESTMENTS					176,840		176,840	
TOTAL	1,298,511	1,245,390	126,280	136,803	367,988	244,901	1,792,779	1,627,094

(FIGURES IN THOUSANDS OF EUROS)

The following tables show, for fiscal years 2008 and 2007, the maturities, average interest rate and modified duration of financial investments:

31 DECEMBER 2008									
CONCEPT	CLOSING BALANCE	MATURITY IN:						INTEREST RATE %	MODIFIED DURATION %
		1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	BEYOND OR UNDATED		
PORTFOLIO HELD TO MATURITY									
Fixed Income									
Other investments									
TOTAL PORTFOLIO HELD TO MATURITY									
PORTFOLIO AVAILABLE FOR SALE									
Fixed Income	1,414,021	136,518	187,373	188,969	106,531	148,696	645,934	5.18 %	4.52 %
Other investments	169,343	169,343						(22.77 %)	
TOTAL PORTFOLIO AVAILABLE FOR SALE	1,583,364	305,861	187,373	188,969	106,531	148,696	645,934		
TRADING PORTFOLIO									
Term currency contracts									
Swaps									
Options									
Futures									
Others derivatives									
Fixed income									
Others	32,575	28,492	4,083					(3.47 %)	
TOTAL TRADING PORTFOLIO	32,575	28,492	4,083						

(FIGURES IN THOUSANDS OF EUROS)

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		
PORTFOLIO HELD TO MATURITY									
Fixed Income									
Other investments	178,919	176,202	2,717					4.09 %	
TOTAL PORTFOLIO HELD TO MATURITY	178,919	176,202	2,717					4.09 %	
PORTFOLIO AVAILABLE FOR SALE									
Fixed Income	1,199,272	135,013	172,043	147,248	157,503	135,305	452,160	3.90 %	3.58 %
Other investments	219,181	219,011		170				12.59 %	
TOTAL PORTFOLIO AVAILABLE FOR SALE	1,418,453	354,024	172,043	147,418	157,503	135,305	452,160	5.03 %	
TRADING PORTFOLIO									
Term currency contracts									
Swaps									
Options									
Futures									
Others derivatives									
Fixed income									
Others	29,722	16,207	5,617	7,898				5.41 %	
TOTAL TRADING PORTFOLIO	29,722	16,207	5,617	7,898				5.41 %	

(FIGURES IN THOUSANDS 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 fiscal years.

CURRENCY	BOOK VALUE							
	PORTFOLIO HELD TO MATURITY		PORTFOLIO AVAILABLE FOR SALE		TRADING PORTFOLIO		TOTAL	
	2008	2007	2008	2007	2008	2007	2008	2007
EURO	113,456	1,111,545	959,600	15,789	14,718	1,127,334	1,087,774	
US DOLLAR	44,085	327,027	308,755	1,680	1,131	328,707	353,971	
MEXICAN PESO		3,910	5,678			3,910	5,678	
BRAZILIAN REAL								
CHILEAN PESO	8,454	40,304	47,726	10,770	11,930	51,074	68,110	
VENEZUELAN BOLIVAR								
ARGENTINEAN PESO								
COLOMBIAN PESO			2,383				2,383	
POUND STERLING	11,308	19,672	21,579	4,336	1,943	24,008	34,830	
CANADIAN DOLLAR		23,323	24,146			23,323	24,146	
PHILIPPINES PESO	379	6				6	379	
PERUVIAN SOL								
OTHER CURRENCIES	1,237	57,577	48,586			57,577	49,823	
TOTAL	178,919	1,583,364	1,418,453	32,575	29,722	1,615,939	1,627,094	

(FIGURES IN THOUSANDS OF EUROS)

CURRENCY	TECHNICAL RESERVES					
	DIRECT AND ACCEPTED INSURANCE (1)		CEDED AND RETROCEDED INSURANCE (2)		NET TOTAL (1)-(2)	
	2008	2007	2008	2007	2008	2007
EURO	1,304,633	1,069,863	538,815	461,962	765,818	607,902
US DOLLAR	306,533	266,341	49,463	49,710	257,070	216,631
MEXICAN PESO	38,542	34,791	12,030	10,335	26,512	24,456
BRAZILIAN REAL	3,030	2,885	436	199	2,594	2,686
CHILEAN PESO	46,188	98,248	7,657	7,209	38,531	91,039
VENEZUELAN BOLIVAR	22,334	37,459	2,805	1,499	19,529	35,960
ARGENTINEAN PESO	12,495	10,976	266	231	12,229	10,745
COLOMBIAN PESO	46,888	47,240	3,946	3,217	42,942	44,023
POUND STERLING	29,515	44,319	2,861	5,627	26,654	38,692
CANADIAN DOLLAR	6,796	7,645	103	454	6,693	7,191
PHILIPPINES PESO	4,012	3,454	301	455	3,711	2,999
PERUVIAN SOL	529	90	49	23	480	67
OTHER CURRENCIES	222,451	182,510	17,913	10,602	204,538	171,908
TOTAL	2,043,946	1,805,821	636,645	551,523	1,407,301	1,254,298

(FIGURES IN THOUSANDS OF EUROS)

3. Property risk

MAPFRE RE holds property assets within its group representing approximately 2.49% of total investments and cash, of which approximately 1.4% corresponds to own offices. Such 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 may be used to neutralise adverse risk situations for the Group in the future. Their detail is shown in the following table:

CONCEPT	BOOK VALUE		MARKET VALUE	
	2008	2007	2008	2007
Investment property	27,303	31,450	29,182	32,113
Property for own use	33,731	34,437	52,304	39,762
TOTAL	61,034	65,887	81,486	71,875

(FIGURES IN THOUSANDS OF EUROS)

Therefore, unrealised property gains would offset a fall in the price of properties equivalent to approximately 29% 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	173,185	46%
Trading	125	-
TOTAL	173,310	46%

(FIGURES IN THOUSANDS 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 later extension to the other group entities.

The Capital model is based on the stochastic generation of projections of the company's income statement 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 account 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	-	Member of the Board
Mr. David Moore	Shelter Insurance Companies, Columbia, Missouri, USA	-	President and Chief Executive Officer
Mr. George A. Prescott	Ecclesiastical Insurance Office Plc	-	Deputy Group Chief Executive
Mr. Domingo Sugranyes	Münchener Ruck	67	-
	Axa	142	-
	Cattolica Assicurazioni	100	Director
	BBVA	785	-
	BNP	105	-
	Banco Santander	1,312	-

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 the MAPFRE GROUP entities of which they are members.

DIRECTOR	MAPFRE GROUP	
	ENTITIES WHERE THEY FORM PART OF THE BOARD OF DIRECTORS	NUMBER OF SHARES IN MAPFRE S.A.
Mr. Ángel Alonso	MAPFRE EMPRESAS; MAPFRE AMERICA	40,461
Mr. Ricardo Blanco	MAPFRE EMPRESAS; MAPFRE CAUCIÓN Y CRÉDITO; MAPFRE INTERNACIONAL	-
Mr. Andrés Jiménez	MAPFRE S.A.; MAPFRE AMÉRICA; MAPFRE INTERNACIONAL; MAPFRE FAMILIAR	22,433
Mr. Pedro J. de Macedo	MAPFRE EMPRESAS; C.I.A.R; MAPFRE RE HOLDINGS; REINSURANCE MANAGEMENT INC; MAPFRE SEGUROS GERAIS; MAPFRE ASISTENCIA	7,523
Mr. Juan Antonio Pardo	MAPFRE ASISTENCIA	-
Mr. Agustín Rodríguez	MAPFRE ASISTENCIA; MAPFRE FAMILIAR	2,023
Mr. Francisco Ruiz	MAPFRE, S.A.; MAPFRE VIDA; MAPFRE FAMILIAR; CCM VIDA Y PENSIONES	73
Mr. Matías Salva	MAPFRE S.A.; MAPFRE FAMILIAR, S.A.; MAPFRE EMPRESAS S.A.	384,615
Mr. Domingo Sugranyes	MAPFRE INTERNACIONAL; MAPFRE FAMILIAR	50,023
Mr. Gregorio Robles	MAPFRE INTERNACIONAL	-
Mr. Javier Fernández-Cid	MAPFRE INTERNACIONAL	-
Mr. Claudio Ramos	CONSTITUCIÓN Y LEYES; MAPFRE SEGUROS GERAIS; MAPFRE INTERNACIONAL	-
Mr. Rafael Senen	BENELUX ASSIST; MAPFRE WARRANTY (Italia); IBERO ASISTÈNCIA (Portugal); MAPFRE ABRAXAS (Reino Unido); IBERO ASISTENCIA (Argentina); BRASIL ASISTENCIA (Brasil); SUR ASISTENCIA (Chile); ANDIASISTENCIA (Colombia); QUETZAL ASISTENCIA (Guatemala); MEXICO ASISTENCIA (México); PANAMÁ ASISTENCIA (Panamá); CARIBE ASISTENCIA SIAM C. POR A. (República Dominicana); VIAJES MAPFRE (República Dominicana); SERVICIOS GENERALES DE VENEASISTENCIA, S.A. (Venezuela); FEDERAL ASSIST (Estados Unidos); BRICKELL FINANCIAL SERVICES MOTOR CLUB INC. (ROAD AMERICA) (Estados Unidos); AFRIQUE ASSISTANCE (Túnez); GULF ASSIST (Bahrein); ROAD-CHINA ASSISTANCE (China); INDIA ROADSIDE ASSISTANCE PRIVATE LTD. (India); ROAD ASSIT ALGERIE SPA (Argelia)	-
Mediación y Diagnósticos, S.A.	MAPFRE AMERICA; MAPFRE-CAJA MADRID VIDA; MAPFRE FAMILIAR; MAPFRE EMPRESAS; MAPFRE QUAVITAE; MAPFRE INTERNACIONAL.	-
Participaciones y Cartera de Inversión, S.L.	MAPFRE ASISTENCIA; MAPFRE-CAJA MADRID VIDA; MAPFRE EMPRESAS; MAPFRE FAMILIAR; MAPFRE INMUEBLES; MAPFRE QUAVITAE; MAPFRE VIDA.	-

8.2. FEES ACCRUED BY EXTERNAL AUDITORS

The fees accrued in favour of external auditors for their account auditing services amount to € 131,625 (€ 124,812 in 2007). There is also an additional amount of € 137,499 (€ 140,138 in 2007) for other complementary services.

8.3. ENVIRONMENTAL ISSUES

The Group companies do not have any environmental related item that might be significant or should be specifically included in the present financial statements.

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 2008 (Appendix 1)

NAME	COUNTRY	EFFECTIVE TAX RATE	ACTIVITY
COMPAGNIE INTERNATIONALE D'ASSURANCES ET DE REASSURANCES (CIAR)	45 , Rue de Treves Bruselas (Belgica)	34%	Insurance and Reinsurance
INVERSIONES IBÉRICAS LTDA	Ava. Apoquindo 4499-8° Santiago de Chile (Chile)	17%	Financial and Property
MAPRE 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%	Investments and securities & property management
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 (España)	35%	Consultancy
MAPFRE RE BRASIL	Rua Sao Carlos Do Pinhal 696 3º Andar Sao Paulo (Brasil)	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 (España)	35%	IT
MAPFRE INFORMATICA A.I.E.	Ctra de Pozuelo a Majadahonda nº 52 Madrid (España)	35%	IT
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 Sao Carlos Do Pinhal 696 3º Andar Sao Paulo (Brasil)	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%	Guarantees and credits
C R ARGENTINA	Bouchard 547 piso 14 Buenos Aires (Argentina)	35%	Services, Advisory

(FIGURES IN THOUSANDS 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

PARTICIPATION %		DETAILS FY 2008				
HOLDER	% HOLDING IN SHARE CAPITAL	ASSETS	EQUITY	REVENUES	RESULT OF THE YEAR	CONSOLIDATION METHOD OR PROCEDURE
— Mapfre Re	99.9900%	17,045	9,437	2,907	969	A
— Maplux Re	0.0100%					
— Mapfre Re	99.9899%	15,323	15,138	1,029	(388)	A
— Mapfre Re	99.9932%	78,222	33,018	5,359	1,651	A
— Mapfre Re		0	0	0	(123)	A
— Inv.Ibéricas						
— Mapfre Re	99.9985%	8	8	0	0	C
— Mapfre Re	39.9752%	6,732	4,329	8,992	364	B
— Mapfre Re	99.9999%	22,993	22,538	2,367	1,222	A
— Mapfre Re	95.0000%	193	96	788	(13)	C
— Caja Re Arg.	4.9993%					
— Mapfre Re	1.0000%	6,178	3,138	14,492	68	C
— Mapfre Re	1.0000%	36,925	1,000	117,065	0	C
— Mapfre Asistencia	0.0020%	3,201	1,119	2,784	37	C
— Mapfre Re	100.0000%	688	16	0	0	A
— Itsemap S.T.M.	99.9792%	1,264	1,007	2,317	133	C
— Mapfre Re Brasil	0.0208%					
— Itsemap S.T.M	75.0000%	28	34	2	(1)	C
— Inv. Ibéricas	25.0000%					
— 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	99.9960%	114	97	5	0	A

Subsidiaries and associated companies 2007 (annex 1)

NAME	COUNTRY	EFFECTIVE TAX RATE	ACTIVITY
COMPAGNIE INTERNATIONALE D'ASSURANCES ET DE REASSURANCES (CIAR)	45 , Rue de Treves Bruselas (Belgica)	34%	Insurance and Reinsurance
INVERSIONES IBÉRICAS LTDA	Ava. Apoquindo 4499-8° Santiago de Chile (Chile)	17%	Financial and Property
MAPRE 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 (España)	35%	Consultancy
MAPFRE RE ASSESORIA LTDA	Rua Sao Carlos Do Pinhal 696 3° Andar Sao Paulo (Brasil)	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 (España)	35%	IT Services
MAPFRE INFORMATICA A.I.E.	Ctra de Pozuelo a Majadahonda nº 52 Madrid (España)	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 Sao Carlos Do Pinhal 696 3° Andar Sao Paulo (Brasil)	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

(FIGURES IN THOUSANDS 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

PARTICIPATION %		DETAILS FY 2008				
HOLDER	% HOLDING IN SHARE CAPITAL	ASSETS	EQUITY	REVENUES	RESULT OF THE YEAR	CONSOLIDATION METHOD OR PROCEDURE
— Mapfre Re	99.9900%	19,316	8,933	2,561	479	A
— Maplux Re	0.0100%					
— 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	94.9000%	2,506	2,302	1,848	1,387	A
— Inv.Ibéricas	5.0999%					
— 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	99.9998%	45	29	138	17	C
— Itsemmap Brasil	0.0001%					
— Mapfre Re	99.0000%	180	112	746	20	C
— Caja Re Arg.	0.9999%					
— 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
— Itsemmap S.T.M.	99.9792%	1,244	833	2,566	195	C
— M.R. Asesor	0.0208%					
— Itsemmap S.T.M	75.0000%	33	35	0	(1)	C
— Inv. Ibéricas	25.0000%					
— 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



AUDITOR'S REPORT
ON CONSOLIDATED
ANNUAL ACCOUNTS 2008



AUDIT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Translation of a report and consolidated financial statements 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 financial statements of MAPFRE RE, Compañía de Reaseguros, S.A. and its subsidiaries (the Group), which comprise the consolidated balance sheet at December 31, 2008, 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 financial statements 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 consolidated financial statements, 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 headings 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 2008, those of 2007. Our opinion refers only to the consolidated financial statements for 2008. On March 6, 2008 we issued our audit report on the 2007 consolidated financial statements, 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 2008 consolidated financial statements 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, 2008 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 understanding, 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 2007 consolidated financial statements.

5. The accompanying consolidated management report for the year ended December 31, 2008 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; however, it is not an integral part of the consolidated financial statements. We have checked that the accounting information included in the aforementioned consolidated management report agrees with the consolidated financial statements for the year ended December 31, 2008. 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 MAPFRE RE, Compañía de Reaseguros, S.A. and its subsidiaries.

ERNST & YOUNG, S.L.

(Signed in original issued
in Spanish language)

Fernando Pindado Cardona

March 6, 2009



INDIVIDUAL MANAGEMENT REPORT 2008



Business evolution

MAPFRE RE finished the 2008 fiscal year with an outstanding increase in revenues and recording positive results, even though lower than the previous year's figure. MAPFRE RE maintained its commitment to the markets where it fulfils its activity and this, along with its recognised solvency, allowed it to go on with its expansion and consolidate its prospects for the future.

Note

With the enforcement of the new Accounting Plan for Insurance Entities, approved by Royal Decree 1317/2008, the accounting principles, assessment standards and classification criteria provided in said plan have been applied. In accordance with the contents of its Fourth Transitional Provision, the Company took 31 December 2008 as the transition date to such Plan. Consequently, the annual accounts for year 2008 do not include the figures of the preceding year for comparison purposes.

Income Statement

— Earned premiums amounted to € 1,783.0 million, representing an increase of 11.0% with respect to those recorded in the previous year. Net earned premiums amounted to € 1,194.7 million, namely, they represent a 12.0% increase compared to the previous year.

— The combined ratio of the life and non-life business was set at 95.9%, which includes a loss rate of 65.35%, commissions and other acquisition expenses amounting to 27.7% and management expenses set at 2.9%.

— Underwriting results amount to € 46.4 million. Net financial revenues show a result of € 54.1 million.

— The income statement shows a result before taxes and minority interests of € 102.1 million, lower than the figure of € 133.2 million recorded in the preceding year. The net profit after tax and minority interests amounted to € 72.0 million, compared to € 91.7 million in the preceding year.

Balance Sheet

— Shareholders funds amount to € 715.3 million.

— Net technical reserves amount to 1,363.0 million and represent 114.1% of retained premiums.

— Financial investments total 1,743.6 million, with this figure breaking down into financial assets held for trading amounting to € 9.6 million. Other financial assets at fair value with changes in profit and loss amounting to € 7.6 million, financial assets held for sale amounting to € 1,511.7 million, Deposits

held with credit institutions amounting to € 147.9 million and Shareholdings in associated group undertakings amounting to € 66.8 million.

- Cash and banks and other liquid assets amount to € 32.8 million.
- Total assets amount to € 3,065.5 million.

Main activities

— The Regional Management for Continental Europe was created and the team was reinforced in the Brussels, Munich and Milan offices, in order to support expansion and services in this important region.

— The Mexico Management Centre was reorganised, strengthening its team and appointing a new General Manager that will supervise the Caracas office and the Central America area.

— On 17 November the authorisation was granted for MAPFRE RE do Brasil Companhia de Resseguros to start its operations as local reinsurer in the Brazilian market. The new subsidiary, with head office in São Paulo, will allow to complete MAPFRE RE's presence in Latin America and to consolidate its leadership in that major region. In order to achieve this objective, the entity is being provided with highly qualified staff and with advanced computer systems that will allow lean management, an efficient control of operations and the provision of an efficient service to clients. Likewise, the registration of MAPFRE RE as Eventual Reinsurer was maintained.

— The reorganisation continued in the Rest of the World Area (Africa, Asia and Australasia), providing it with new staff and means, which will allow to extend the number of markets where it fulfils its activity.

— A Deputy General Management was created to focus on the management and development of Facultative business, with objectives that include promoting and coordinating technical expertise together with the different Management Centres.

— MAPFRE RE's role as reinsurer for Group entities was maintained and enhanced, incorporating the reinsurance programmes of the new entities acquired by MAPFRE INTERNACIONAL and MAPFRE AMERICA.

— Training and services programmes were developed for clients, in particular through holding the second International Seminar for non-Spanish speaking cedants and through the development of specific programmes for the Group's subsidiaries in Brazil and Spain. MAPFRE RE's sponsorship should be mentioned of the International Seminar on Catastrophes held in Madrid, as well as seminars on Life reinsurance held in Colombia, Brazil and Syria. Twenty training courses were held, distributed between Asia and Europe, which were attended by more than 520 people, and training courses on the use of

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

new computer tools for the staff of the head office and the European management centres.

— The financial strength ratings by S&P (AA/negative) and AM Best (A+/stable) were renewed; these stand among the highest in the market and that confirm the entity's soundness and its prudent management.

Subsidiaries

— The Chilean subsidiaries registered revenues amounting to € 6.4 million, reaching a profit of € 1.3 million and maintaining shareholders' funds of € 48.2 million.

— The new subsidiary MAPFRE RE DO BRASIL reached revenues amounting to € 2.4 million, with a profit of € 1.2 million mainly arising from financial returns, and closed the year with shareholders' funds of € 22.5 million.

Events after the balance sheet date

Until the time of closing this report, there have been no significant occurrences that may have an impact on the financial statements as at 31 December 2008.

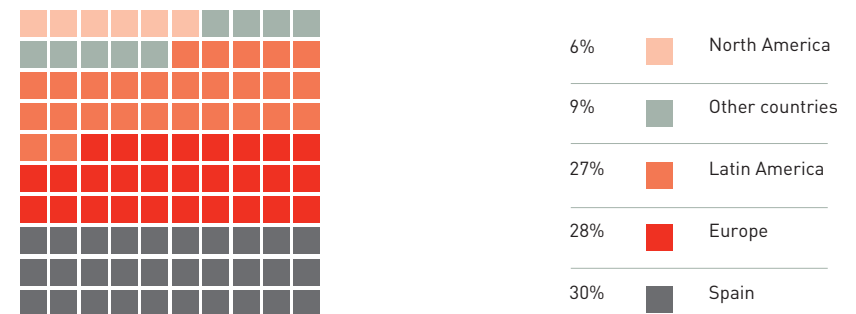
No significant events have taken place after the balance sheet date that may have an impact on the outlook or the budgets for the current year.

Outlook

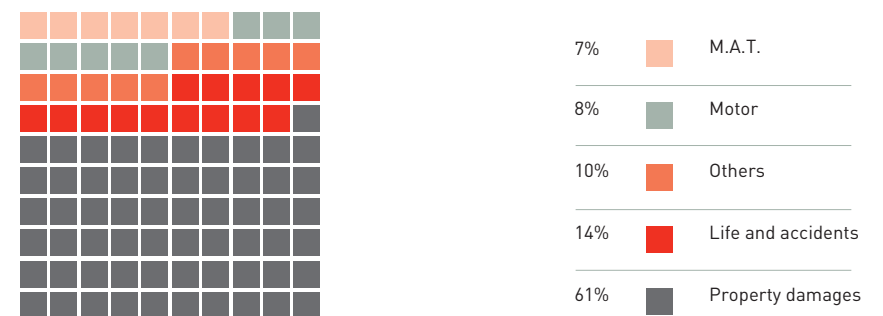
MAPFRE RE will maintain a prudent development of its business portfolio in a market likely to continue being affected by strong instability and financial volatility, but where stable reinsurance conditions are expected and, in some cases, an improvement due to the bad results recorded in the year for the market overall and to the difficulty to cover new capital requirements.

In the present environment, MAPFRE RE's continuity and stability policy will allow it to benefit from new development prospects.

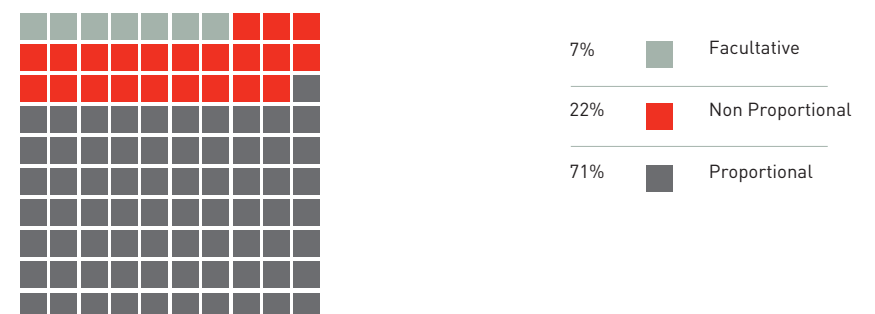
Portfolio mix per geographical area



Portfolio mix per line



Portfolio mix per type of business





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

Staff

The staff rendering their services to the company had at year end the following structure divided by professional categories.

CATEGORY	2008	2007	2006
Managerial	48	49	41
Clerical	54	50	57
Marketing	–	–	–
Others	27	25	25
Total	129	124	123

Investments

As regards 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 2008



Balance sheet as at 31 december 2008

A) ASSETS	NOTES TO THE ANNUAL REPORT	2008
A-1) Cash and other equivalent liquid assets	9	32,796
A-2) Financial assets held for trading	4 c - 8	9,573
I. Equity instruments		9,573
II. Securities representing debt		
III. Derivatives		
IV. Others		
A-3) Other financial assets at fair value with changes in profit and loss	4 c - 8	7,629
I. Equity instruments		46
II. Securities representing debt		
III. Hybrid instruments		7,583
IV. Investments on account of life policyholders assuming the investment risk		
V. Others		
A-4) Financial assets available for sale	4 c - 8	1,511,747
I. Equity instruments		169,192
II. Securities representing debt		1,342,555
III. Investments on account of life policyholders assuming the investment risk		
IV. Others		
A-5) Credits	4 c - 8	572,123
I. Securities representing debt		
II. Credits		736
1. Advances on policies		
2. Credits to group companies and associated undertakings		736
3. Credits to other related companies		
III. Deposits with credit institutions		147,858
IV. Deposits established on accepted reinsurance		275,923
V. Credits on direct insurance transactions		
1. Policyholders		
2. Brokers		
VI. Credits on reinsurance transactions	4 d	144,512
VII. Credits on coinsurance transactions		
VIII. Called capital		
IX. Other credits		3,094
1. Credits with the Public Administration		2,392
2. Other credits		702

(Continues on the next page)

A) ASSETS	NOTAS DE LA MEMORIA	2008
A-6) Investments held to maturity		
A-7) Hedging derivatives		
A-8) Participation of reinsurance in technical reserves	4 i	639,910
I. Reserve for unearned premiums		348,244
II. Reserve for life assurance		10,240
III. Reserve for claims		281,426
IV. Other technical reserves		
A-9) Property, plant and equipment, and investment property	4 b- 5	30,661
I. Property, plant and equipment		30,661
II. Investment property		
A-10) Intangible fixed assets	4 a - 6	2,214
I. Goodwill		
II. Economic rights arising from policy portfolios acquired from brokers		
III. Other intangible assets		2,214
A-11) Shareholdings in group associated undertakings	4 c - 8	66,753
I. Shareholdings in associated undertakings		840
II. Shareholdings in multi-group companies		
III. Shareholdings in group companies		65,913
A-12) Tax assets	10	9,738
I. Current tax assets		
II. Deferred tax assets		9,738
A-13) Other assets		182,359
I. Assets and redemption rights on long term remuneration to staff		7,581
II. Prepaid commissions and other acquisition expenses		
III. Accruals	8	174,778
IV. Other assets		
A-14) Assets held for sale		
TOTAL ASSETS		3,065,503

(FIGURES IN THOUSANDS OF EUROS)

Balance sheet as at 31 december 2008

LIABILITIES AND EQUITY	NOTES TO THE ANNUAL REPORT	2008
A) LIABILITIES		
A-1) Financial liabilities held for sale		
A-2) Other financial liabilities at fair value with changes in P&L		
A-3) Debt and payables	8	205,051
I. Subordinated liabilities		
II. Deposits received on ceded reinsurance		118,808
III. Due on insurance transactions		
1. Due to policyholders		
2. Due to brokers		
3. Conditioned debt		72,192
IV. Due on reinsurance transactions		
V. Due on coinsurance transactions		
VI. Debentures and other negotiable securities		
VII. Due to credit institutions		
VIII. Due on transactions in preparation of insurance contracts		
IX. Other amounts due:		14,051
1. Due to the Public Administrations		6,715
2. Other amounts due to group entities and assoc. undertakings		5,182
3. Other sundry debts		2,154
A-4) Hedging derivatives		
A-5) Technical reserves	4 i	2,002,929
I. Reserve for unearned premiums		985,933
II. Reserve for risks in progress		1,871
III. Reserve for life assurance		74,300
1. Reserve for unearned premiums		74,300
2. Reserve for risks in progress		
3. Mathematical reserve		
4. Reserve for life assurance when the policyholder assumes the investment risk		
IV. Reserve for claims		940,825
V. Reserve for profit sharing and other returns		
VI. Other technical reserves		
A-6) Non-technical reserves	4 j - 13	9,509
I. Reserves for taxes and other legal contingencies		
II. Reserve for pensions and similar obligations		8,369
III. Reserve for payments of liquidation agreements		
IV. Other non-technical reserves		1,140
A-7) Tax liabilities	10	26,152
I. Current tax liabilities		
II. Deferred tax liabilities		26,152
A-8) Other liabilities		92,660
I. Accruals		92,660
II. Liabilities arising from accounting asymmetries		
III. Commissions and other costs of acquisition of ceded reinsurance		
IV. Other liabilities		
A-9) Liabilities related to assets held for sale		
TOTAL EQUITY		2,336,301

(Continues on the next page)

LIABILITIES AND EQUITY	NOTES TO THE ANNUAL REPORT	2008
B) EQUITY		
B-1) Shareholders funds	8	715,321
I. Capital or mutual fund		223,916
1. Share capital or mutual fund		223,916
2. (Uncalled capital)		
II. Share premium		220,565
III. Reserves		94,063
1. Legal and statutory		37,493
2. Stabilisation reserve	2 e	45,987
3. Other reserves		10,583
IV. (Own shares)		
V. Results from previous years	3	150,983
1. Brought forward		150,983
2. (Negative results from previous years)		
VI. Other contributions by shareholders and members		
VII. Result for the year	3	72,022
VIII (Interim dividend and interim stabilisation reserve)	12	(46,228)
IX. Other equity instruments		
B-2) Valuation adjustments:	2 e	13,881
I. Financial assets held for sale		13,881
II. Hedging transactions		
III. Exchange and translation differences		
IV. Correction of accounting asymmetries		
V. Other adjustments		
B-3) Subsidies, donations and grants received		
TOTAL EQUITY	2 e	729,202
TOTAL LIABILITIES AND EQUITY		3,065,503

(FIGURES IN THOUSANDS OF EUROS)

Income statement for year ended 31 december 2008

I. TECHNICAL ACCOUNT-NON-LIFE INSURANCE	2008
I.1. Earned premiums in the year, Net of Reinsurance	1,033,323
a) Earned premiums	1,659,178
a.1) Direct insurance	
a.2) Accepted reinsurance	1,659,178
a.3) Variation in the correction for impairment of premiums pending collection (+ or -)	
b) Premiums from ceded reinsurance (-)	(567,785)
c) Variation in the reserve for unearned premiums and for risks in progress (+ or -)	(72,622)
c.1) Direct insurance	
c.2) Accepted reinsurance	(72,622)
d) Variation in the reserve for unearned premiums, ceded reinsurance (+ or -)	14,552
I.2. Revenues from property, plant & equipment and investments	259,145
a) Revenues from investment property	
b) Revenues from financial investments	248,616
c) Application of valuation adjustments on impairment of property, plant & equipment and on investments	
c.1) Of property, plant & equipment and of investment property	
c.2) Of financial investments	
d) Profits in the realisation of property, plant & equipment and of investments	10,529
d.1) Of property, plant & equipment and of investment property	
d.2) Of financial investments	10,529
I.3. Other Technical Revenues	
I.4. Losses in financial year, Net of Reinsurance	672,287
a) Claims and expenses paid	576,135
a.1) Direct insurance	
a.2) Accepted reinsurance	813,844
a.3) Ceded reinsurance (-)	(237,709)
b) Variation in the reserve for claims (+ or -)	96,072
b.1) Direct insurance	
b.2) Accepted reinsurance	167,514
b.3) Ceded reinsurance (-)	(71,442)
c) Claim related expenses	80
I.5. Variation in other Technical Reserves, Net of Reinsurance (+ or -)	
I.6. Sharing in Profits and Returns	
a) Claims and expenses on sharing in profits and returns	
b) Variation in the reserve for sharing in profits and returns (+ or -)	
I.7. Net Operating Expenses	315,228
a) Acquisition expenses	425,892

(Continues on the next page)

I. TECHNICAL ACCOUNT-NON-LIFE INSURANCE	2008
b) Administration expenses	7,419
c) Commissions and participation in ceded and retroceded reinsurance	(118,083)
I.8. Other Technical Expenses (+ or -)	1,735
a) Variation in impairment from insolvencies (+ or -)	(657)
b) Variation in impairment of property, plant & equipment (+ or -)	
c) Variation in claims paid on loss liquidation agreements (+ or -)	
d) Others	2,392
I.9. Expenses from property, plant & equipment and from investments	215,473
a) Investment management expenses	196,529
a.1) Expenses from property, plant & equipment and from investment property	
a.2) Expenses from investments and financial accounts	196,529
b) Valuation corrections in property, plant & equipment and on investments	2,936
b.1) Depreciation of property, plant & equipment and of investment property	286
b.2) Impairment in property, plant & equipment and in investment property	
b.3) Impairment in financial investments	2,650
c) Losses from property, plant & equipment and from investments	16,008
c.1) From property, plant & equipment and from investment property	
c.2) From financial investments	16,008
I.10. Sub total (Result of the Technical Account of Non-Life Insurance)	87,745

(FIGURES IN THOUSANDS OF EUROS)

Income statement for year ended 31 december 2008

I. TECHNICAL ACCOUNT-LIFE INSURANCE	2008
II.1. Premiums Earned in the year, Net of Reinsurance	104,589
a) Earned premiums	123,853
a.1) Direct insurance	
a.2) Accepted reinsurance	123,853
a.3) Variation in the correction for impairment of premiums pending collection (+ or -)	
b) Premiums from ceded reinsurance (-)	(20,546)
c) Variation in the reserve for unearned premiums y risks in progress (+ or -)	3,639
c.1) Direct insurance	
c.2) Accepted reinsurance	3,639
d) Variation in the reserve for unearned premiums, ceded reinsurance (+ or -)	(2,357)
II.2. Revenues from property, plant & equipment and investments	23,521
a) Revenues from investment property	
b) Revenues from financial investments	22,553
c) Application of valuation adjustments on impairment of property, plant & equipment and on investments	
c.1) From property, plant & equipment and from investment property	
c.2) Of financial investments	
d) Profits in the realisation of property, plant & equipment and of investments	968
d.1) From property, plant & equipment and from investment property	
d.2) Of financial investments	968
II.3. Revenues from investments earmarked to insurance policies when the policyholder assumes the investment risk	
II.4. Other Technical Revenues	
II.5. Losses in financial year. Net of Reinsurance	68,946
a) Claims and expenses paid	63,626
a.1) Direct insurance	
a.2) Accepted reinsurance	74,994
a.3) Ceded reinsurance (-)	(11,368)
b) Variation in the reserve for claims (+ or -)	5,312
b.1) Direct insurance	
b.2) Accepted reinsurance	7,561
b.3) Ceded reinsurance (-)	(2,249)
c) Claim related expenses	8
II.6. Variation in Other Technical Reserves Net of Reinsurance (+ or -)	
a) Reserves for life assurance	
a.1) Direct insurance	
a.2) Accepted reinsurance	
a.3) Ceded reinsurance (-)	
Reserves for life assurance when policyholders assume the investment risk	
b) Other technical reserves	

(Continues on the next page)

I. TECHNICAL ACCOUNT-LIFE INSURANCE	2008
II.7. Sharing in Profits and Returns	
a) Claims and expenses on sharing in profits and returns	
b) Variation in the reserve for sharing in profits and returns (+ or -)	
II.8. Net Operating Expenses	27,066
a) Acquisition expenses	33,189
b) Administration expenses	838
c) Commissions and participation in ceded and retroceded reinsurance	(6,961)
II.9. Other Technical Expenses	
a) Variation in impairment from insolvencies (+ or -)	
b) Variation in impairment of property, plant & equipment (+ or -)	
c) Others	
II.10. Expenses from property, plant & equipment and from investments	19,857
a) Management expenses of property, plant & equipment and of investments	17,992
a.1) Expenses from property, plant & equipment and from investment property	
a.2) Expenses from investments and financial accounts	17,992
b) Valuation corrections in property, plant & equipment and on investments	33
b.1) Depreciation of property, plant & equipment and of investment property	33
b.2) Impairment in property, plant & equipment and in investment property	
b.3) Impairment in financial investments	
c) Losses from property, plant & equipment and from investments	1,832
c.1) From property, plant & equipment and from investment property	
c.2) From financial investments	1,832
II.11. Expenses from investments earmarked to insurance when the policyholder assumes the investment risk	
II.12. Subtotal, (Results of the Technical Account of Life Insurance)	12,241

(FIGURES IN THOUSANDS OF EUROS)

Income statement for year ending 31 december 2008

II. NON TECHNICAL ACCOUNT	2008
III.1. Revenues from property, plant & equipment and from investments	31,025
a) Revenues from investment property	
b) Revenues from financial investments	27,361
c) Application of valuation adjustments on impairment of property, plant & equipment and on investments	
c.1) From property, plant & equipment and from investment property	
c.2) Of financial investments	
d) Profits in the realisation of property, plant & equipment	3,664
d.1) From property, plant & equipment and from investment property	367
d.2) Of financial investments	3,297
III.2. Expenses from property, plant & equipment and from investments	25,830
a) Investment management expenses	22,277
a.1) Expenses from investments and financial accounts	22,277
a.2) Expenses from tangible investments	
b) Valuation corrections in property, plant & equipment and on investments	
b.1) Depreciation of property, plant & equipment and of investment property	
b.2) Impairment in property, plant & equipment and in investment property	
b.3) Impairment in financial investments	
c) Losses from property, plant & equipment and from investments	3,553
c.1) From property, plant & equipment and from investment property	
c.2) From financial investments	3,553
III.3. Other Revenues	1,890
a) Revenues from pension fund administration	
b) Other revenues	1,890
III.4. Other Expenses	4,957
a) Expenses on pension fund administration	
b) Other expenses	4,957
III.5. Sub total, (Result of the Non Technical Account)	2,128
III.6. Result before taxes (I.10 + II.12 + III.5)	102,114
III.7. Tax on profits	30,092
III.8. Result from ongoing operations (III.6 + III.7)	72,022
III.9. Result from discontinued operations, net of taxes (+ or -)	
III.10. Resultado for the year (III.8 + III.9)	72,022

(FIGURES IN THOUSANDS OF EUROS)

Statement of changes in equity for year ended 31 december 2008

STATEMENT OF RECOGNISED REVENUES AND EXPENSES	NOTES TO THE ANNUAL REPORT	2008
I. RESULT FOR THE YEAR		72,022
II. OTHER RECOGNISED REVENUES AND EXPENSES	2 e	13,881
II.1. Financial assets available for sale		
Valuation gains and losses		
Amounts transferred to the income statement		19,829
Other reclassifications		
II.2. Cash flow hedges		
Valuation gains and losses		
Amounts transferred to the income statement		
Amounts transferred to the initial value of hedged items		
Other reclassifications		
II.3. Hedge of net investments in businesses abroad		
Valuation gains and losses		
Amounts transferred to the income statement		
Other reclassifications		
II.4. Exchange and translation differences		
Valuation gains and losses		
Amounts transferred to the income statement		
Other reclassifications		
II.5. Correction of accounting asymmetries		
Valuation gains and losses		
Amounts transferred to the income statement		
Other reclassifications		
II.6. Assets held for sale		
Valuation gains and losses		
Amounts transferred to the income statement		
Other reclassifications		
II.7. Actuarial gains/(losses) on long term remuneration to staff		
II.8. Other recognised revenues and expenses		
II.9. Tax on profits		(5,948)
III. TOTAL RECOGNISED REVENUES AND EXPENSES		85,903

(FIGURES IN THOUSANDS OF EUROS)

Statement of changes in equity for year ended 31 december 2008

B) TOTAL STATEMENT OF CHANGES IN EQUITY

CONCEPTO	CAPITAL OR MUTUAL FUND		SHARE PREMIUM	RESERVES	(OWN SHARES AND EQUITY STAKES)
	SUBSCRIBED	UNCALLED			
A. BALANCE, YEAR-END 2007	223,916		220,565	28,318	
I. Adjustments on changes of criteria 2007					
II. Error correction adjustments 2007					
B. ADJUSTED BALANCE, BEGINNING OF 2008	223,916		220,565	28,318	
I. Total recognised revenues and expenses.					
II. Transactions with shareholders or members.					
1. Increases in capital or mutual fund.					
2. (-) Reductions in capital or mutual fund.					
- Conversion of financial liabilities into equity (conversion of obligations, writing-off of debts).					
- (-) Distribution of dividends or apportionments.					
- Transactions with own shares or stakes (net).					
- Increase (reduction) in equity arising from a business combination.					
7. Other transactions with shareholders or members.					
III. Other changes in equity.				65,745	
1. Payments based on equity instruments.					
2. Transfers between equity items.				9,175	
3. Other changes.				56,570(*)	
E. BALANCE, YEAR-END 2008	223,916		220,565	94,063	

(FIGURES IN THOUSANDS OF EUROS)

RESULT FROM PREVIOUS YEARS	OTHER CONTRIBUTIONS BY MEMBERS	RESULT FOR THE YEAR	(INTERIM DIVIDEND)	OTHER EQUITY INSTRUMENTS	VALUATION ADJUSTMENTS	SUBSIDIES, DONATIONS AND GRANTS RECEIVED	TOTAL
70,043		91,751					634,593
70,043		91,751					634,593
		72,022			13,881(*)		85,903
			(46,228)				(46,228)
			(46,228)				(46,228)
80,940		(91,751)					54,934
80,940		(91,751)					(1,636)
							56,570
150,983		72,022	(46,228)		13,881		729,202

Cash flow statement for year ended 31 december 2008

A) CASH FLOW FROM OPERATING ACTIVITIES	2008
A.1.) Insurance activity	687,908
1. Collections direct insurance, coinsurance and accepted reinsurance	959,251
2. Payments direct insurance, coinsurance and accepted reinsurance	(493,000)
3. Collections ceded reinsurance	119,092
4. Payments ceded reinsurance	(350,350)
5. Recovery of claims paid	
6. Payments of remuneration to brokers	
7. Other operating collections	
8. Other operating payments	(39,592)
9. Total cash collections from insurance activity (1+3+5+7) = I	1,078,343
10. Total cash payments from insurance activity (2+4+6+8) = II	(882,942)
A.2.) Other operating activities	(13,477)
1. Collections from pension fund management activities	
2. Payments from pension fund management activities	
3. Collections from other activities	
4. Payments from other activities	
5. Total cash collections from other operating activities (1+3) = III	
6. Total cash payments from other operating activities (2+4) = IV	
7. Collections and payments on the corporation tax (V)	(13,477)
A.3.) Total net cash flows from operating activities (I-II+III-IV + - V)	181,924
B) CASH FLOW FROM INVESTING ACTIVIDADES	2008
B.1) Collections from investing activities	
1. Tangible property	91
2. Investment property	
3. Intangible assets	90
4. Financial instruments	541,561
5. Shareholdings in group companies, multi-group and associated undertakings	190
6. Interest collected	55,938
7. Dividends collected	9,020
8. Business unit	
9. Others collections related to investing activities	
10. Total cash collections from investing activities (1+2+3+4+5+6+7+8+9) = VI	606,890
B.2.) Payments from investing activities	
1. Tangible property	(315)
2. Investment property	
3. Intangible assets	(791)
4. Financial instruments	(712,122)
5. Shareholdings in group companies, multi-group and associated undertakings	(26,586)
6. Business unit	
7. Others payments related to investing activities	
8. Total cash payments from investing activities (1+2+3+4+5+6+7) = VII	(739,814)
B.3.) Total cash flows from investing activities (VI - VII)	(132,924)

C) CASH FLOW FROM FINANCE ACTIVITIES	2008
C.1) Collections de finance activities	
1. Subordinated liabilities	
2. Collections on issuance of equity and capital increase	
3. Apportionments and contributions by shareholders or members	
4. Disposal of own securities	
5. Other collections related to finance activities	
6. Total cash collections from finance activities (1+2+3+4+5) = VIII	
C.2) Payments from finance activities	
1. Dividends to shareholders	(46,228)
2. Interest paid	
3. Subordinated liabilities	
4. Payments on reimbursement of contributions to members	
5. Apportionments and reimbursement of contributions to members	
6. Acquisition of own securities	
7. Other payments related to finance activities	(1,693)
8. Total cash payments from finance activities (1+2+3+4+5+6+7) = IX	(47,921)
C.3) Total net cash flows from finance activities (VIII - IX)	(47,921)
Effect of changes in rates of exchange (X)	(16)
Total increase / decrease in cash and cash equivalents (A.3 + B.3 + C.3 + - X)	1,063
Cash and cash equivalents at the beginning of the year	31,733
Cash and cash equivalents at the end of the year	32,796
1. Cash and banks	32,796
2. Other financial assets	
3. Bank overdrafts repayable at call	
TOTAL	32,796

(FIGURES IN THOUSANDS OF EUROS)

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