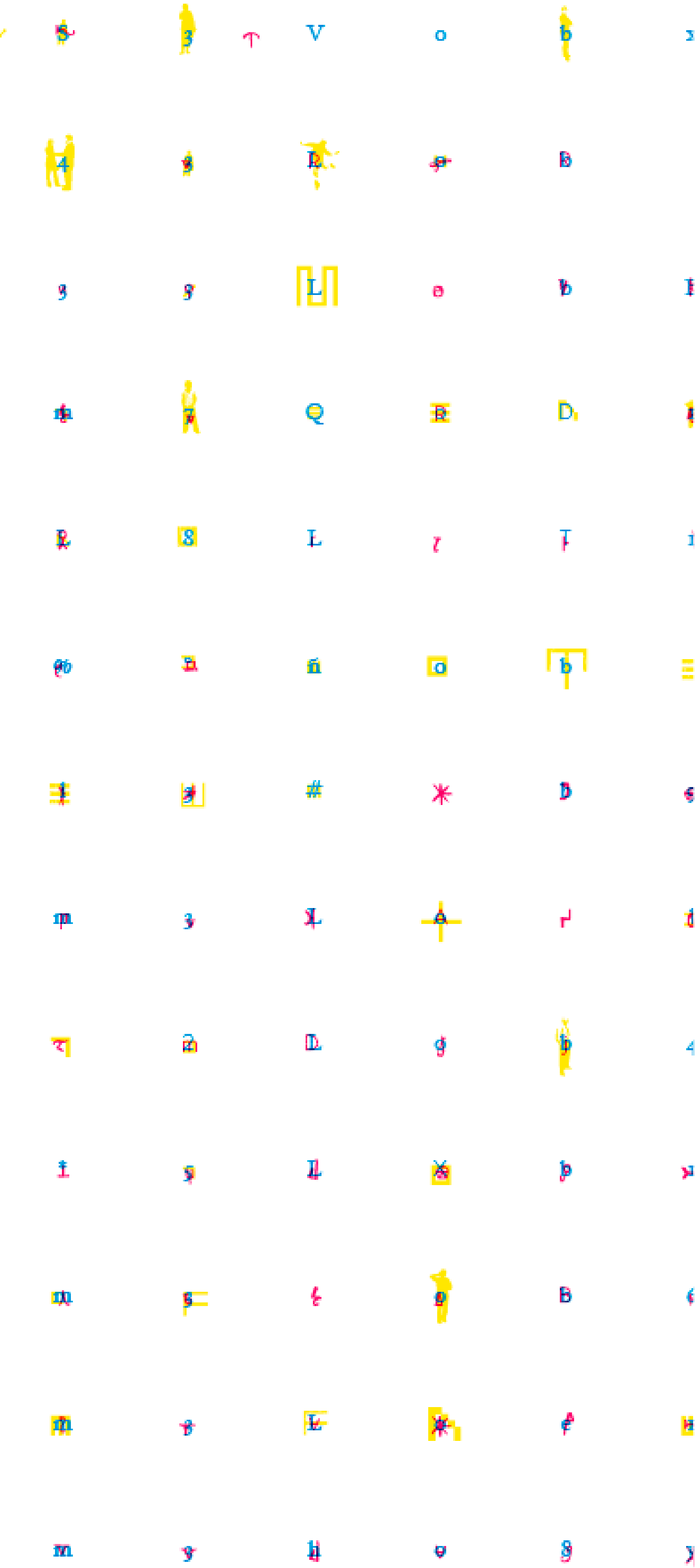
ANNUAL REPORT 2010

MAPFRE RE

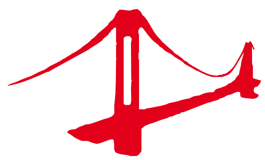
MAPFRE



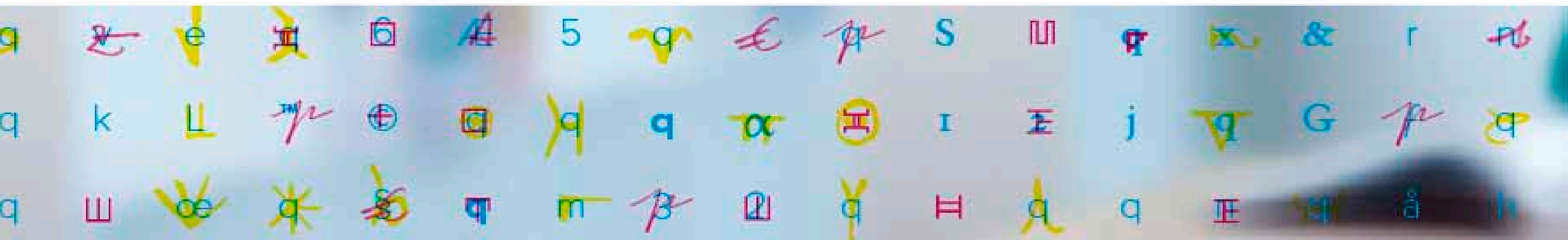
ANNUAL REPORT 2010

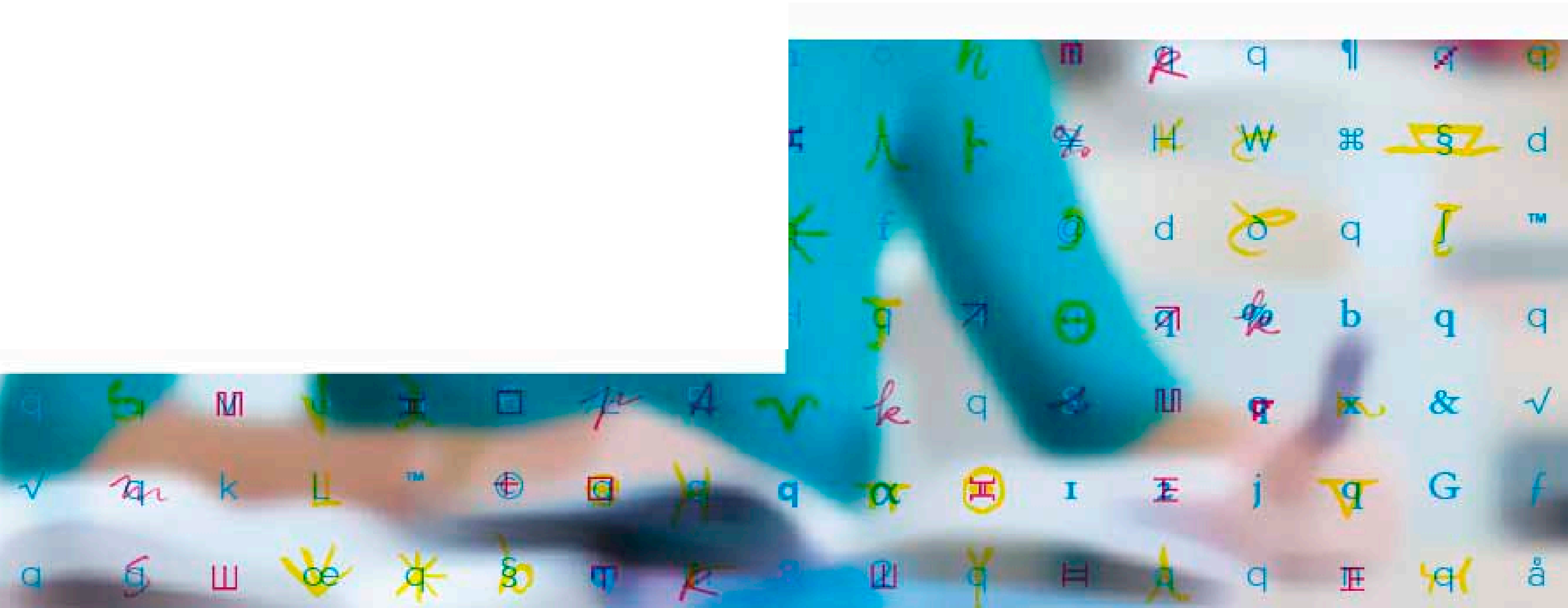
MAPFRE RE

MAPFRE



Contents





1

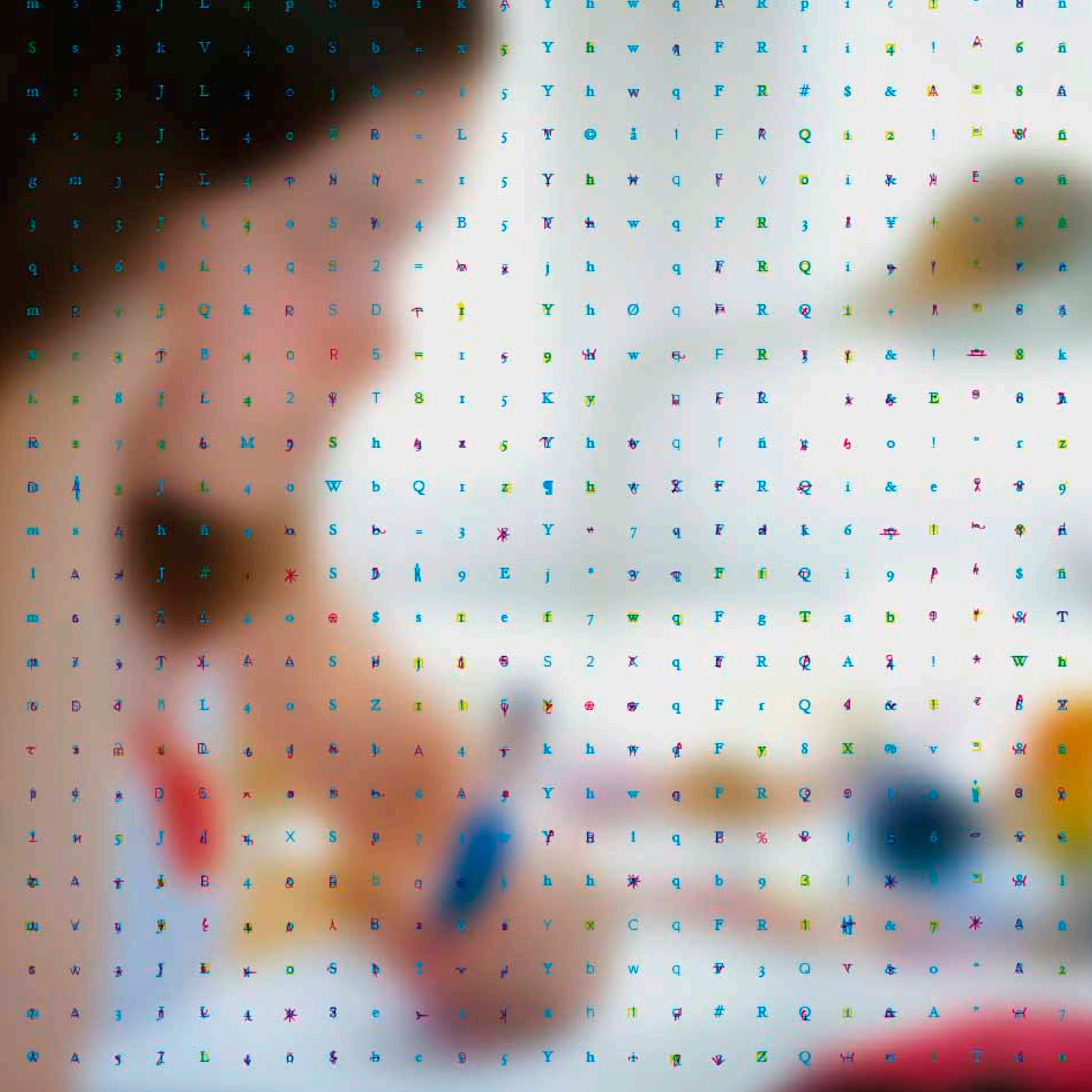
Governing bodies

BOARD OF DIRECTORS		Executive Committee	Compliance Committee
CHAIRMAN	Andrés Jiménez		
VICE-CHAIRMAN	Matías Salvá	Vice-Chairman	Chairman
CHIEF EXECUTIVE OFFICER	Pedro de Macedo	Chairman	
MEMBERS	Ángel Alonso		
	Ricardo Blanco		
	José Carlos Contreras[1]		
	Arturo Fernández[2]		
	Javier Fernández-Cid	Member	
	Lorenzo Garagorri		
	Philippe Hebeisen (Vaudoise Assurances Holding)		
	Pedro López	Member	
	J. David Moore (Shelter Mutual Insurance Company)		
	Juan Antonio Pardo		
	Claudio Ramos	Member	
	Ermanno Rho (Società Cattolica di Assicurazione)		
	Gregorio Robles		Member
	Francisco Ruiz		Member
	Rafael Senén		
	Domingo Sugranyes	Member	
	Michael H. Tripp (Ecclesiastical Insurance Office)		
SECRETARY	Miguel Gómez	Secretary	

Composition of governing bodies on the date of the Annual Report.

(1) Representing Participaciones y Cartera de Inversión, S.L.

(2) Representaing Mediación y Diagnósticos, S.A.



2

Consolidated Management Report 2010

Despite the strong catastrophic accidents occurred during the first half of the year, MAPFRE RE achieved a positive result higher than in the previous period, as well as significant growth in subscribed premiums and income, which enabled further progress in its consolidation as a leading international reinsurer.

During the first half of the year there was a marked rise in catastrophe claims, notably the earthquake in Chile and in the third quarter the New Zealand earthquake which, together with other catastrophic events, have adversely affected the technical profits of a large number of reinsurers, an effect partially offset by improved financial results, all within a framework of strong competition, due to the financial strength of reinsurance companies.

Main activities

— The liberalisation of the reinsurance market in Brazil has been positive for MAPFRE RE. The two platforms established to address that country's business, "MAPFRE RE (admitted reinsurer authorised in April 2010) and MAPFRE RE DO BRASIL (local reinsurer) - have allowed the management of operations in an integral way this year, paying particular attention to compliance of strict local regulations, regarding the development of the Group's insurance entities and intensively developing profitable business with the rest of the market.

— In September 2010 the Board of Directors of MAPFRE RE approved the opening of a new branch in Paris, which will be operational in 2011. This new office, which will focus on the Life and Personal Lines business, will expand the Company's direct presence in this important market, and enhance business development in the European market.

— MAPFRE RE has further strengthened its human resources team with highly qualified staff, both at its headquarters and its offices, which will improve the service provided to customers, and has advanced in the process of managerial succession, which this year has affected the Management Centres of Bogotá, London and Brussels.

— The policy of providing technical services to clients has been maintained, and we must highlight the publication on the website of the MARESEL quoting program for Life insurance in English; seminars on personal and agricultural assistance risks, attended by representatives from fourteen countries; holding of the Third International Seminar in Madrid, attended by representatives from eighteen countries, and technical seminars given by ITSEMAP in twelve countries, with 345 attendants. The Trébol magazine has also adopted a new and more attractive format, and is additionally available online at MAPFRE RE's website.

— The Company has renewed its excellent placement within the rating agencies: Standard and Poor's has maintained its AA rating with negative perspective on par with the sovereign rating, and A.M. Best has maintained an A+ rating, with negative perspective. On the other hand, MAPFRE RE holds the fourteenth place in world rankings of reinsurers, published by S&P (based on net premiums) and A.M. Best (based on gross premiums). This all reflects market confidence in the Company's solvency and the quality of its management.

— The Chile and New Zealand earthquakes, which have caused considerable material damage, in the case of Chile in excess of $10,000 million, represented for MAPFRE RE a net reinsurance cost of €151.3 million, including reinstatement of coverage.

Subsidiary and Associated Companies

The Chilean subsidiaries, INVERSIONES IBÉRICAS and MAPFRE CHILE REASEGUROS, have earned income amounting to €8 million and a profit before tax of €0.9 million; their equity at the end of the year is €70.9 million.

MAPFRE RE DO BRASIL obtained in 2010 a turnover of €95.9 million, premiums of €88.5 million and a profit before tax of €6.7 million; its equity amounted to €40.5 million.

Outlook

MAPFRE RE faces the year 2011 with excellent financial strength, allowing it to continue its prudent expansion in a market that is expected to be very competitive.

The market will be subject to various challenges, such as a low rate of return on investments, a technical profits account lower than previous years due to competition on price and conditions, a reduction of turnover derived from a greater retention by insurers, and the difficulty that claims reserves remain favourably adjusted each year due to, among other reasons, the rise in inflation; all this in an environment in which significant recorded business growth in emerging markets is insufficient to offset the effects of the crisis affecting more developed markets.

In this context, reinsurers must take appropriate and definitive steps to implement the rules originated in Solvency II, which will lead to greater volatility of results. We must add to this the occurrence of disasters which, according to their intensity or frequency, may determine a higher or lower hardening of the conditions and prices.

Thanks to its financial strength, professionalism and credibility with clients and brokers, MAPFRE RE is well positioned to successfully meet these challenges.

Subsequent events

At the time of closing this report there have been no significant developments that may affect the current year's outlook or budget.

There have been no subsequent events that may affect the financial statements as of December 31st, 2010.

Proposed resolutions

— Approval of the Individual Annual Accounts for the 2010 financial year and of the following profit distribution proposal contained in the Annual Report:

DISTRIBUTION BASIS	
Profit and Loss	128,425,411
Retained earnings	211,139,436
TOTAL	**339,564,847**
Distribution	
Statutory reserve	0
Dividend	58,507,165
Donations to MAPFRE FOUNDATION	2,300,730
Retained earnings	278,756,952
TOTAL	**339,564,847**

AMOUNT IN EUROS

— The proposal involves the distribution of a dividend of €0.81 gross per share to shares numbers 1 to 72,231,068 inclusive, payable between 29 March and 30 April 2011, from which the amounts paid in advance by resolution of the Board of Directors will be deducted.

— Approval of the Consolidated Financial Statements for the 2010 financial year.

— Approval of the Board of Directors' management during the 2010 financial year.

— Agreement to a donation of €2,300,730 being made to the MAPFRE FOUNDATION, in accordance with the distribution of the profit for the year.

— Extension of the appointment of ERNST & YOUNG, S.L., as the Company's auditors, both for the Individual Annual Accounts and, where appropriate, the Consolidated Accounts, should the Company be required to draw these up or decide to do so voluntarily, for a new one-year period, i.e. for the 2011 financial year, although the appointment may be revoked by the General Meeting before the end of that period if there is a justifiable reason for doing so.

— To re-elect, for another four years, the directors Mr. Lorenzo Garagorri, Mr. Javier Fernández-Cid, Mr. J. David Moore and Mr. Claudio Ramos: the first one with effect as of March 30th, 2011 and the others as of December 4th 2011, when their current terms expire.

— Delegation of the widest powers to the Chairman of the Board and his Secretary, so that either of them may proceed to implement the resolutions adopted by the General Meeting and, where necessary, make them public.

— Thanking those involved in the management of the Company for their loyal cooperation during this financial year.

Economic and statistical information

IFRS INCOME STATEMENT	2010	2009	Var. % 10/09	Var. % 09/08
ASSUMED (INWARD) REINSURANCE				
Assumed premium	**2,371.6**	**2,053.7**	**15%**	**15%**
Earned premium for the year	2,252.7	1,961.3	15%	15%
Loss ratio (includes claims-related expenses)	(1,854.5)	(1,164.6)	59%	10%
Operating costs and other underwriting expenses	(564.5)	(501.2)	13%	8%
ASSUMED REINSURANCE RESULTS	**(166.3)**	**295.5**	**(156%)**	**61%**
RETROCEDED REINSURANCE				
Premiums and change in unearned premium reserve	(772.8)	(650.1)	19%	14%
Claims paid and change in claims reserve	869.1	321.3	170%	1%
Commission and participations	138.7	115.2	20%	(7%)
RETROCEDED REINSURANCE RESULTS	**234.9**	**(213.6)**	**(210%)**	**65%**
Other income and underwriting expenses	(0.8)	(1.0)	(18%)	(19%)
RESULTS OF LIFE AND NON-LIFE TECHNICAL ACCOUNTS	**67.9**	**80.9**	**(16%)**	**54%**
Net investment income	103.0	79.9	29%	(18%)
Unrealised investment gains and losses	0.0	0.0	-	-
Other non-underwriting income and expenses	2.4	(1.9)	(227%)	(30%)
Results from minority interests	0.2	0.0	-	-
RESULTS OF LIFE AND NON-LIFE BUSINESS	**173.5**	**159.0**	**9%**	**8%**
RESULT FROM OTHER ACTIVITIES	**0.0**	**0.0**	**-**	**-**
RESULT BEFORE TAX AND MINORITY INTERESTS	**173.5**	**159.0**	**9%**	**8%**
Income tax	(49.3)	(46.4)	6%	6%
Result after tax from discontinued operations	0.0	0.0	-	-
RESULT AFTER TAX	**124.2**	**112.6**	**10%**	**9%**
External partners	0.0	0.0	0%	0%
RESULT AFTER TAX AND MINORITY INTERESTS	**124.2**	**112.6**	**10%**	**9%**

€ MILLIONS

NON-LIFE INSURANCE RATIOS	2010	2009
Loss ratio of assumed (inward) reinsurance	84.7%	58.4%
Expense ratio of assumed (inward) reinsurance	24.7%	25.7%
Net combined ratio of retroceded reinsurance	95.7%	93.5%

DETAILS OF ASSUMED PREMIUM	2010	2009	Var. % 10/09	Var. % 09/08
Non-life	2,086.9	1,877.8	11.1%	13.5%
Life	284.8	175.9	61.9%	42.0%
TOTAL	**2,371.6**	**2,053.7**	**15.5%**	**15.5%**

€ MILLIONS

KEY BALANCE SHEET DATA (IFRS)	2010	2009	Var. % 10/09	Var. % 09/08
Financial investments and treasury	2,267.7	2,082.5	8.9%	14.0%
Total assets	4,087.9	3,476.0	17.6%	11.0%
Net Equity	848.4	839.7	1.0%	13.0%
ROE	14.7%	14.2%	3.4%	0.9%

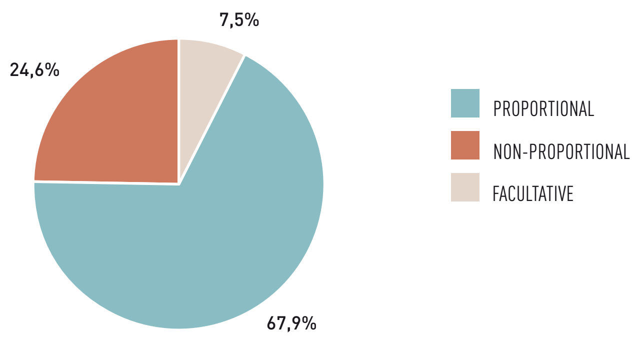
€ MILLIONS

HEDGING AND SOLVENCY DATA	2010	2009	Var. % 10/09	Var. % 09/08
Technical provisions to be hedged	2,712.3	2,154.9	25.9%	9.9%
Excess of suitable assets over reserves	535.7	489.3	9.5%	18.3%
Minimum amount of (consolidated) solvency margin	347.9	316.9	9.8%	27.2%
(Consolidated) Solvency margin	841.7	790.8	6.4%	10.4%
Number of times minimum amount	2.4	2.5	(3.0%)	(13.2%)

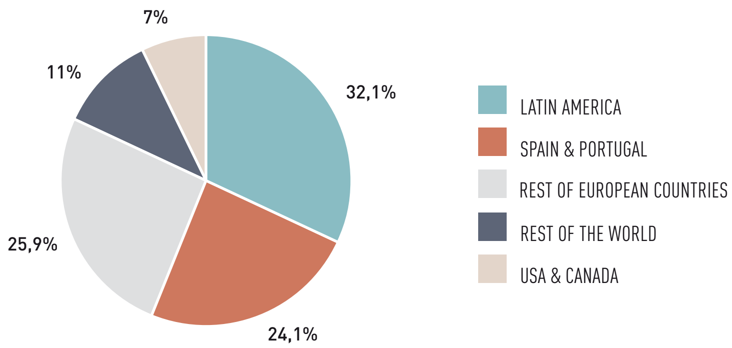
€ MILLIONS

OTHER INFORMATION	2010	2009	Var. % 10/09	Var. % 09/08
Average number of employees	290	283	2.5%	5.2%
% commission on written premium from inward reinsurance	26.3%	26.8%	(1.9%)	(2.9%)
% internal management expenses on assumed premium	1.4%	1.8%	(22.2%)	(5.3%)

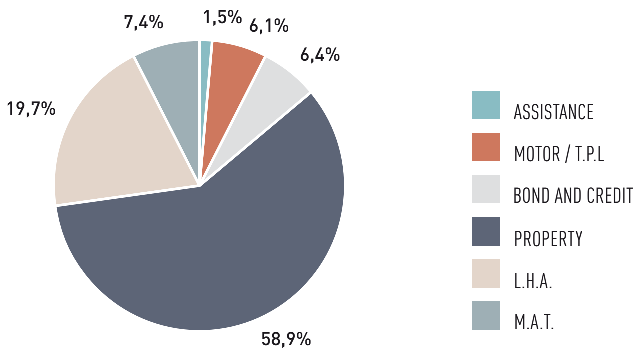
2010 Portfolio composition by type of business



2010 Portfolio composition by geographical area



2010 Portfolio composition by branch



Additional notes

Environmental information

MAPFRE's commitment to the environment is articulated through three pillars: integration of the environment into the business, environmental management, and the promotion of environmental responsibility. In this respect, besides taking on the environmental commitments laid down in the United Nations Global Compact, MAPFRE participates in the United Nations Environment Programme Finance Initiative (UNEP FI), an environmental initiative for financial institutions and the insurance sector promoted by the United Nations Environment Programme (UNEP), and has signed cooperation agreements with relevant public bodies in relation to water saving and energy efficiency.

Personnel

At the end of the financial year, the number of people working for the Company maintained the following structure by professional categories:

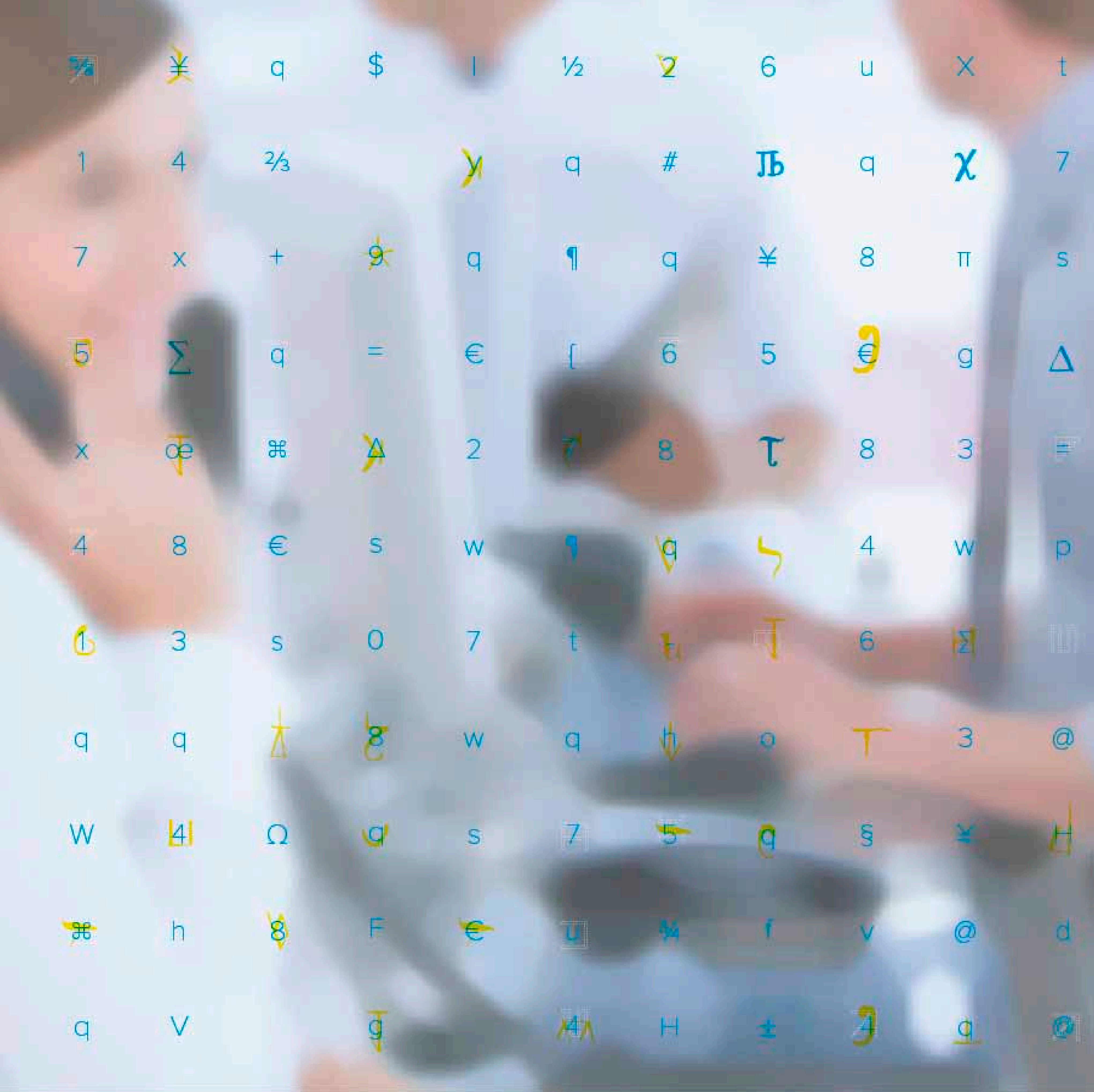
CATEGORY	2010	2009	2008
Managerial staff	81	85	65
Administrative staff	87	106	101
Sales staff	9	9	9
Other	115	88	86
TOTAL	**292**	**288**	**261**

Investments

As regards financial investments, MAPFRE RE's policy for reducing its exposure to risks of this type has been based on a prudent investment policy which concentrates the bulk of the portfolio in fixed-income securities.

As for the credit risk, MAPFRE RE's policy has been based on prudence (issuer's financial standing) and the diversification of fixed-income investments. The bulk of the fixed-income-securities portfolio is thus made up of securities with a high credit rating.

For investments in both fixed-income securities and equities, diversification criteria per activity sector and maximum limits of risk per issuer are applied.



3

Consolidated Statement 2010

A. Consolidated balance sheet as at 31 December 2010 and 2009

ASSETS	Notes	2010	2009
A) INTANGIBLE ASSETS		**1,509**	**1,779**
I. Goodwill			
II. Other intangible assets	6.1	1,509	1,779
B) PROPERTY, PLANT AND EQUIPMENT		**38,715**	**37,615**
I. Own-use property	6.2 / 7D	36,488	35,355
II. Other property, plant and equipment	6.2	2,227	2,260
C) INVESTMENTS		**2,521,144**	**2,386,390**
I. Investment property	6.2 / 7D	34,685	30,881
II. Financial investments		2,069,330	1,910,387
1. Held-to-maturity portfolio			
2. Available-for-sale portfolio	6.4 / 7D	2,026,066	1,881,021
3. Trading portfolio	6.4 / 7D	43,264	29,366
III. Equity-method-accounted Investments		15,589	13,022
IV. Deposits established for assumed reinsurance		331,429	325,764
V. Other investments	6.4 / 7D	70,111	106,336
D) REINSURANCE'S SHARE OF TECHNICAL PROVISIONS	**6.9**	**965,795**	**603,731**
E) DEFERRED TAX ASSETS	**6.17**	**32,872**	**11,287**
F) LOANS AND RECEIVABLES	**6.5 / 7B**	**245,009**	**217,579**
I. Receivables from reinsurance operations	6.5	227,973	210,953
II. Tax credits	6.5	12,112	3,275
1. Income tax receivable			8
2. Other tax credits		12,112	3,267
III. Corporate and other loans	6.5	4,924	3,351
G) CASH AT BANK AND IN HAND	**6.7 / 7B**	**128,300**	**65,779**
H) ACCRUALS		**153,823**	**151,146**
I) OTHER ASSETS		**767**	**710**
TOTAL ASSETS		**4,087,934**	**3,476,016**

(FIGURES IN EUROS 000)

EQUITY AND LIABILITIES	Notes	2010	2009
A) EQUITY		**848,413**	**839,732**
I. Paid-up capital	6.8	223,916	223,916
II. Reserves	6.8	344,713	294,091
III. Own shares			
IV. Valuation adjustment reserves		(58,605)	19,469
V. Translation differences	6.19	37,936	22,471
VI. Retained earnings		300,389	279,738
1. Unallocated retained earnings from prior years		211,579	217,791
2. Result for the year attributable to the Parent Company	4.1	124,203	112,509
3. Interim dividends	4.2	(35,393)	(50,562)
Equity attributable to the Parent Company's shareholders		**848,349**	**839,685**
Minority interests		**64**	**47**
B) SUBORDINATED LIABILITIES		**–**	**–**
C) TECHNICAL PROVISIONS		**2,866,077**	**2,237,769**
I. Provisions for unearned premiums and unexpired risks	6.9	1,164,404	1,068,419
II. Provision for life insurance	6.9	178,716	137,268
III. Provision for outstanding claims	6.9	1,522,957	1,032,082
D) PROVISIONS FOR CONTINGENCIES AND CHARGES	**6.10**	**1,769**	**2,847**
E) DEPOSITS RECEIVED ON CEDED (OUTWARD) AND RETROCEDED REINSURANCE	**6.11**	**78,815**	**104,358**
F) DEFERRED TAX LIABILITIES	**6.17**	**3,158**	**32,027**
G) PAYABLES	**6.12**	**195,956**	**164,860**
I Payables arising out of reinsurance operations	6.12	148,604	124,015
II. Tax liabilities	6.12	14,299	11,666
1. Income tax payable		–	–
2. Other tax payables		14,299	11,666
III. Other payables	6.12	33,053	29,179
H) ACCRUALS		**93,746**	**94,423**
TOTAL EQUITY AND LIABILITIES		**4,087,934**	**3,476,016**

(FIGURES IN EUROS 000)

B. Global consolidated income statement for the financial years ended 31 December 2010 and 2009

B.1 Consolidated income statement

ITEM	Notes	2010	2009
I. INCOME FROM INSURANCE BUSINESS			
1. Net earned premiums for the year		1,479,927	1,311,192
a) Written premium from direct insurance		12	(8)
b) Premium from assumed reinsurance	7 / A2	2,371,619	2,053,701
c) Premium from ceded reinsurance		(768,039)	(653,591)
d) Change in net provisions for unearned premiums and unexpired risks		(123,665)	(88,910)
Direct insurance		3	3
Assumed reinsurance		(118,894)	(92,444)
Ceded reinsurance		(4,774)	3,531
2. Share of profits of equity-accounted companies		317	62
3. Income from investments		127,990	128,979
a) From operations	6.14	117,511	114,563
b) From equity	6.14	10,479	14,416
4. Gains on investments on behalf of unit-linked life insurance policyholders			
5. Other underwriting income		–	7
6. Other non-underwriting income		6,202	2,424
7. Foreign exchange gains		318,407	139,601
8. Reversal of the asset impairment provision	6.6	652	960
TOTAL INCOME FROM INSURANCE BUSINESS		**1,933,495**	**1,583,225**
II. EXPENSES FROM INSURANCE BUSINESS			
1. Net claims for the year		(985,480)	(843,324)
a) Claims paid and change in the net claims provision		(985,308)	(842,997)
Direct insurance		1,724	679
Assumed reinsurance		(1,856,097)	(1,164,995)
Ceded reinsurance		869,065	321,319
b) Claims-related expenses		(172)	(327)
2. Change in other net technical provisions		(2,162)	(862)
3. Bonuses and rebates			
4. Net operating expenses	6.15	(423,626)	(385,214)
a) Acquisition expenses		(551,208)	(487,132)
b) Administration expenses		(11,095)	(13,246)
c) Commission and participation in reinsurance		138,677	115,164
5. Share of losses of equity-accounted companies		(133)	(20)
6. Expenses from investments		(28,475)	(45,320)
a) From operations	6.14	(24,904)	(44,117)
b) From equity and financial accounts	6.14	(3,571)	(1,203)
7. Losses on investments on behalf of unit-linked life insurance policyholders			
8. Other underwriting expenses		(796)	(661)
9. Other non-underwriting expenses		(3,809)	(4,309)
10.Foreign exchange losses		(315,548)	(144,270)
11.Allocation to the asset impairment provision	6.6		(313)
TOTAL EXPENSES FROM INSURANCE BUSINESS		**(1,760,029)**	**(1,424,293)**
III. RESULT OF INSURANCE BUSINESS		**173,466**	**158,932**
IV. RESULT BEFORE TAX FROM CONTINUING OPERATIONS		**173,466**	**158,932**
V. INCOME TAX ON CONTINUING OPERATIONS	**6.17**	**(49,262)**	**(46,420)**
VI. RESULT AFTER TAX FROM CONTINUING OPERATIONS		**124,204**	**112,512**
VII. RESULT AFTER TAX FROM DISCONTINUED OPERATIONS			**–**
VIII. RESULT FOR THE YEAR		**124,204**	**112,512**
1. Attributable to minority interests		(1)	(3)
2. Attributable to the Parent Company		124,203	112,509

(FIGURES IN EUROS 000)

B.2 Consolidated statement of recognised income and expenses

ITEM	GROSS AMOUNT 2010	GROSS AMOUNT 2009	INCOME TAX 2010	INCOME TAX 2009	ATTRIBUTABLE TO MINORITY INTERESTS 2010	ATTRIBUTABLE TO MINORITY INTERESTS 2009	ATTRIBUTABLE TO THE PARENT COMPANY 2010	ATTRIBUTABLE TO THE PARENT COMPANY 2009
A) CONSOLIDATED RESULT FOR THE YEAR	173,466	158,932	(49,262)	(46,420)	(1)	(3)	124,203	112,509
B) OTHER RECOGNISED INCOME (EXPENSES)	(94,435)	61,433	31,837	(13,067)	(9)	–	(62,607)	48,366
1. Available-for-sale financial assets	(109,857)	44,750	31,837	(13,067)			(78,020)	31,683
a) Valuation gains (losses)	(92,514)	56,150	26,912	(16,396)			(65,602)	39,754
b) Amounts transferred to the income statement	(17,343)	(11,400)	4,925	3,329			(12,418)	(8,071)
c) Other reclassifications								
2. Exchange differences	15,476	16,438			(9)		15,467	16,438
a) Valuation gains (losses)	15,476	16,438			(9)		15,467	16,438
b) Amounts transferred to the income statement								
3. Shadow accounting								
a) Valuation gains (losses)								
b) Amounts transferred to the income statement								
4. Companies valued using the equity method	(54)	245					(54)	245
a) Valuation gains (losses)	54	192					(54)	192
b) Amounts transferred to the income statement		53						53
c) Other reclassifications								
5. Other recognised income and expenses								
TOTALS	79,031	220,365	(17,425)	(59,487)	(10)	(3)	61,596	160,875

(FIGURES IN EUROS 000)

C. Consolidated statement of changes in equity as at 31 December 2010 & 2009

	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY							
ITEM	PAID-UP CAPITAL	RESERVES	OWN SHARES	VALUATION ADJUSTMENT RESERVES	TRANSLATION DIFFERENCES	RETAINED EARNINGS	MINORITY INTERESTS	TOTAL EQUITY
BALANCE AS AT 1 JANUARY 2009	223,916	282,301	0	(12,459)	6,033	242,996	38	742,825
I. Changes in accounting policies								
II. Error corrections								
BALANCE AS AT 1 JANUARY 2009, RESTATED	223,916	282,301	0	(12,459)	6,033	242,996	38	742,825
CHANGES IN THE 2009 FINANCIAL YEAR								
I. Results recognised directly into equity								
1. From revaluations of property, plant and equipment and intangibles								
2. From available-for-sale investments				31,683				31,683
3. From cash-flow hedges								
4. From translation differences					16,438			16,438
5. From other results recognised directly into equity				245				245
Total results recognised directly into equity	0	0	0	31,928	16,438	0	0	48,366
II. Other results for the 2009 financial year						112,509	3	112,512
III. Distribution of the 2008 results						(14,839)		(14,839)
IV. Interim dividend for 2008						(50,562)		(50,562)
V. Capital increase								
VI. Capital not yet paid up								
VII. Capital reduction								
VIII. Other increases		11,790					6	11,796
IX. Other decreases						(10,366)		(10,366)
TOTAL CHANGES IN THE 2009 FINANCIAL YEAR	0	11,790	0	0	0	36,742	9	48,541
BALANCE AS AT 31 DECEMBER 2009	223,916	294,091	0	19,469	22,471	279,738	47	839,732
I. Changes in accounting policies								
II. Error corrections								
BALANCE AS AT 1 JANUARY 2010, RESTATED	223,916	294,091	0	19,469	22,471	279,738	47	839,732
CHANGES IN THE 2010 FINANCIAL YEAR								
I. Results recognised directly into equity								
1. From revaluations of property, plant and equipment and intangibles								
2. From available-for-sale investments				(78,020)				(78,020)
3. From cash-flow hedges								
4. From translation differences					15,467		9	15,476
5. From other results recognised directly into equity				(54)				(54)
Total results recognised directly into equity	0	0	0	(78,074)	15,467	0	9	(62,598)
II. Other results for the 2010 financial year						124,203	1	124,204
III. Distribution of the 2009 results						(21,340)		(21,340)
IV. Interim dividend for 2010						(35,393)		(35,393)
V. Capital increase								
VI. Capital not yet paid up								
VII. Capital reduction								
VIII. Other increases		50,622					7	50,629
IX. Other decreases					(2)	(46,819)		(46,821)
TOTAL CHANGES IN THE 2010 FINANCIAL YEAR	0	50,622	0	0	(2)	20,651	8	71,279
BALANCE AS AT 31 DECEMBER 2010	223,916	344,713	0	(58,605)	37,936	300,389	64	848,413

(FIGURES IN EUROS 000)

The amounts of 50,622 in the item of "Other Increases" in the "Reserves" column and the amount of (46,819) for the concept of "Other decreases" in the "Profits" column are due mainly to the profit distribution of the previous year and to transfers made between them.

D. Consolidated statement of cash flows for years ended 31 December 2010 and 2009

ITEMS	2010	2009
Premium receipts		
Payments on claims		
Receipts from reinsurance operations	472,449	492,784
Payments on reinsurance operations	(182,628)	(242,177)
Receipts from coinsurance operations		
Payments on coinsurance operations		
Payments of commission		
Receipts from clients of other activities		
Payments to providers of other activities		
Other operating receipts	1,899	4,093
Other operating payments	(62,137)	(47,887)
Corporation tax payments or receipts	(50,448)	(36,659)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**179,135**	**170,178**
Acquisitions of intangible fixed assets	(737)	(695)
Acquisitions of property, plant and equipment	(2,300)	(1,043)
Acquisitions of investments and expenses on capital increases	(161,412)	(430,625)
Net cash paid by companies leaving the consolidation perimeter		
Net cash collected from companies leaving the consolidation perimeter		
Sales of fixed assets		2,326
Sales of investments	9,270	276,844
Interest collected	89,177	73,292
Other payments		
Dividends collected	4,757	4,625
Receipts from loans and other financial instruments	1,439	2,688
Payments for loans and other financial instruments		(243)
NET CASH FLOWS FROM INVESTING ACTIVITIES	**(59,806)**	**(72,831)**
Dividends and donations paid	(56,733)	(65,401)
Proceeds from capital increases		
Payments through return of contributions to shareholders		
Proceeds from the issue of debentures		
Payment for interest and redemption of debentures		
Payment for interest and repayment of other borrowings		
Proceeds from other borrowings		
NET CASH FLOWS FROM FINANCING ACTIVITIES	**(56,733)**	**(65,401)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**62,596**	**31,946**
Translation differences in cash flows and cash balances	**(75)**	**(2)**
OPENING CASH BALANCE	**65,779**	**33,835**
CLOSING CASH BALANCE	**128,300**	**65,779**

(FIGURES IN EUROS 000)

E. Segment reporting – consolidated balance sheet as at 31 December 2010 and 2009

	LIFE REINSURANCE		NON-LIFE REINSURANCE		TOTAL	
ASSETS	2010	2009	2010	2009	2010	2009
A) INTANGIBLE ASSETS	**123**	**137**	**1,386**	**1,642**	**1,509**	**1,779**
I. Goodwill						
II. Other intangible assets	123	137	1,386	1,642	1,509	1,779
B) PROPERTY, PLANT AND EQUIPMENT	**4,079**	**3,642**	**34,636**	**33,973**	**38,715**	**37,615**
I. Own-use property	3,855	3,459	32,633	31,896	36,488	35,355
II. Other property, plant and equipment	224	183	2,003	2,077	2,227	2,260
C) INVESTMENTS	**405,646**	**336,533**	**2,115,498**	**2,049,857**	**2,521,144**	**2,386,390**
I. Investment property	30,354	26,405	4,331	4,476	34,685	30,881
II. Financial investments	255,457	207,253	1,813,873	1,703,134	2,069,330	1,910,387
1. Held-to-maturity portfolio						
2. Available-for-sale portfolio	238,328	193,190	1,787,738	1,687,831	2,026,066	1,881,021
3. Trading portfolio	17,129	14,063	26,135	15,303	43,264	29,366
III. Equity-method-accounted Investments	13,712	11,305	1,877	1,717	15,589	13,022
IV. Deposits established for assumed reinsurance	101,601	83,093	229,828	242,671	331,429	325,764
V. Other investments	4,522	8,477	65,589	97,859	70,111	106,336
D) REINSURANCE'S SHARE OF TECHNICAL PROVISIONS	**18,935**	**14,066**	**946,860**	**589,665**	**965,795**	**603,731**
E) DEFERRED TAX ASSETS	**2,687**	**882**	**30,185**	**10,405**	**32,872**	**11,287**
F) LOANS AND RECEIVABLES	**19,801**	**14,787**	**225,208**	**202,792**	**245,009**	**217,579**
I. Receivables from reinsurance operations	17,559	14,317	210,414	196,636	227,973	210,953
II. Tax credits	946	244	11,166	3,031	12,112	3,275
III. Corporate and other loans	1,296	226	3,628	3,125	4,924	3,351
G) CASH AT BANK AND IN HAND	**11,836**	**5,906**	**116,464**	**59,873**	**128,300**	**65,779**
H) ACCRUALS	**2,493**	**3,767**	**151,330**	**147,379**	**153,823**	**151,146**
I) OTHER ASSETS	**63**	**56**	**704**	**654**	**767**	**710**
J) NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS						
TOTAL ASSETS BY SEGMENT	465,663	379,776	3,622,271	3,096,240	4,087,934	3,476,016

(FIGURES IN EUROS 000)

EQUITY AND LIABILITIES	LIFE REINSURANCE 2010	LIFE REINSURANCE 2009	NON-LIFE REINSURANCE 2010	NON-LIFE REINSURANCE 2009	TOTAL 2010	TOTAL 2009
A) EQUITY	**124,897**	**102,869**	**723,516**	**736,863**	**848,413**	**839,732**
I. Paid-up capital	18,304	19,062	205,612	204,854	223,916	223,916
II. Reserves	71,583	63,256	273,130	230,835	344,713	294,091
III. Own shares						
IV. Valuation adjustment reserves	(1,696)	2,389	(56,909)	17,080	(58,605)	19,469
V. Translation differences	11,381	1,325	26,555	21,146	37,936	22,471
VI. Retained earnings	25,261	16,790	275,128	262,948	300,389	279,738
Equity attributable to the Parent Company's shareholders	**124,833**	**102,822**	**723,516**	**736,863**	**848,349**	**839,685**
Minority interests	**64**	**47**			**64**	**47**
B) SUBORDINATED LIABILITIES						
C) TECHNICAL PROVISIONS	**305,090**	**246,649**	**2,560,987**	**1,991,120**	**2,866,077**	**2,237,769**
I. Provisions for unearned premiums and unexpired risks			1,164,404	1,068,419	1,164,404	1,068,419
II. Provisions for life insurance	178,716	137,268			178,716	137,268
III. Provisions for outstanding claims	126,374	109,381	1,396,583	922,701	1,522,957	1,032,082
IV. Other technical provisions						
D) PROVISIONS FOR CONTINGENCIES AND CHARGES	**145**	**221**	**1,624**	**2,626**	**1,769**	**2,847**
DEPOSITS RECEIVED ON CEDED (OUTWARD) AND RETROCEDED REINSURANCE	**9,129**	**8,714**	**69,686**	**95,644**	**78,815**	**104,358**
F) DEFERRED TAX LIABILITIES	**940**	**2,628**	**2,218**	**29,399**	**3,158**	**32,027**
G) PAYABLES	**18,467**	**11,712**	**177,489**	**153,148**	**195,956**	**164,860**
I. Payables arising out of reinsurance operations	10,834	6,636	137,770	117,379	148,604	124,015
II. Tax liabilities	2,174	946	12,125	10,720	14,299	11,666
III. Other payables	5,459	4,130	27,594	25,049	33,053	29,179
H)) ACCRUALS	**6,995**	**6,983**	**86,751**	**87,440**	**93,746**	**94,423**
I) LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS						
TOTAL EQUITY AND LIABILITIES BY SEGMENT	**465,663**	**379,776**	**3,622,271**	**3,096,240**	**4,087,934**	**3,476,016**

(FIGURES IN EUROS 000)

E. Segment Reporting – Consolidated Income Statement For The Years Ended 31 December 2010 And 2009

	LIFE REINSURANCE		NON-LIFE REINSURANCE		TOTAL	
	2010	2009	2010	2009	2010	2009
I.INCOME FROM INSURANCE BUSINESS						
1. Net earned premiums for the year	181,578	140,669	1,298,349	1,170,523	1,479,927	1,311,192
a) Written premium from direct insurance			12	(8)	12	(8)
b) Premium from assumed reinsurance	284,769	175,930	2,086,850	1,877,771	2,371,619	2,053,701
c) Premium from ceded reinsurance	(78,695)	(23,598)	(689,344)	(629,663)	(768,039)	(653,591)
d) Change in net provisions for unearned premiums and unexpired risks	(24,496)	(11,663)	(99,169)	(77,247)	(123,665)	(88,910)
Direct insurance			3	3	3	3
Assumed reinsurance	(27,086)	(10,652)	(91,808)	(81,792)	(118,894)	(92,444)
Ceded reinsurance	2,590	(1,011)	(7,364)	4,542	(4,774)	3,531
2. Share of profits of equity-accounted companies	260		57	62	317	62
3. Income from investments	18,692	17,654	109,298	111,325	127,990	128,979
a) From operations	14,367	13,191	103,144	101,372	117,511	114,563
b) From equity	4,325	4,463	6,154	9,953	10,479	14,416
4. Unrealised gains on investments on behalf of unit-linked life insurance policyholders						
5. Other underwriting income				7		7
6. Other non-underwriting income	1,144	747	5,058	1,677	6,202	2,424
7. Foreign exchange gains	26,079	12,740	292,328	126,861	318,407	139,601
8. Reversal of the asset impairment provision			652	960	652	960
TOTAL INCOME FROM INSURANCE BUSINESS	**227,753**	**171,810**	**1,705,742**	**1,411,415**	**1,933,495**	**1,583,225**
II. EXPENSES FROM INSURANCE BUSINESS						
1. Net claims for the year	(122,273)	(99,179)	(863,207)	(744,145)	(985,480)	(843,324)
a) Claims paid and change in the net claims provision	(122,261)	(99,169)	(863,047)	(743,828)	(985,308)	(842,997)
Direct insurance			1,724	679	1,724	679
Assumed reinsurance	(163,952)	(115,589)	(1,692,145)	(1,049,406)	(1,856,097)	(1,164,995)
Ceded reinsurance	41,691	16,420	827,374	304,899	869,065	321,319
b) Claims-related expenses	(12)	(10)	(160)	(317)	(172)	(327)
2. Change in other net technical provisions	(2,162)	(862)			(2,162)	(862)
3. Bonuses and rebates						
4. Net operating expenses	(44,024)	(35,021)	(379,602)	(350,193)	(423,626)	(385,214)
a) Acquisition expenses	(68,000)	(36,170)	(483,208)	(450,962)	(551,208)	(487,132)
b) Administration expenses	(1,252)	(2,390)	(9,843)	(10,856)	(11,095)	(13,246)
c) Commission and participation in reinsurance	25,228	3,539	113,449	111,625	138,677	115,164
5. Share of losses of equity-accounted companies	(133)	(20)			(133)	(20)
6. Expenses from investments	(2,775)	(2,326)	(25,700)	(42,994)	(28,475)	(45,320)
a) From operations	(2,488)	(2,152)	(22,416)	(41,695)	(24,904)	(44,117)
b) From equity and financial accounts	(287)	(174)	(3,284)	(1,029)	(3,571)	(1,203)
7. Unrealised losses on investments on behalf of unit-linked life insurance policyholders						
8. Other underwriting expenses	(796)	(661)		(313)	(796)	(974)
9. Other non-underwriting expenses	(1,294)	(834)	(2,515)	(3,475)	(3,809)	(4,309)
10.Foreign exchange losses	(28,413)	(13,781)	(287,135)	(130,489)	(315,548)	(144,270)
11.Allocation to the asset impairment provision						
TOTAL EXPENSES FROM INSURANCE BUSINESS	**(201,870)**	**(152,684)**	**(1,558,159)**	**(1,271,609)**	**(1,760,029)**	**(1,424,293)**
RESULT OF INSURANCE BUSINESS	**25,883**	**19,126**	**147,583**	**139,806**	**173,466**	**158,932**
IV. RESULT BEFORE TAX FROM CONTINUING OPERATIONS	**25,883**	**19,126**	**147,583**	**139,806**	**173,466**	**158,932**
V. INCOME TAX ON CONTINUING OPERATIONS	**(4,688)**	**(4,245)**	**(44,574)**	**(42,175)**	**(49,262)**	**(46,420)**
VI. RESULT AFTER TAX FROM CONTINUING OPERATIONS	**21,195**	**14,881**	**103,009**	**97,631**	**124,204**	**112,512**
VII. RESULT AFTER TAX FROM DISCONTINUED OPERATIONS						
VIII. RESULT FOR THE YEAR	**21,195**	**14,881**	**103,009**	**97,631**	**124,204**	**112,512**
1. Attributable to minority interests	(1)	(3)			(1)	(3)
2. Attributable to the Parent Company	21,194	14,878	103,009	97,631	124,203	112,509

(FIGURES IN EUROS 000)

F. Financial Information By Geographical Area. Breakdowns As At 31 December 2010 And 2009

COUNTRIES	REVENUE FROM EXTERNAL CUSTOMERS 2010	REVENUE FROM EXTERNAL CUSTOMERS 2009	NON-CURRENT ASSETS 2010	NON-CURRENT ASSETS 2009
SPAIN	532,179	502,514	34,239	31,668
UNITED STATES OF AMERICA	145,827	128,722	9	726
BRAZIL	103,779	101,764	2,328	2,905
MEXICO	129,848	88,811	939	220
VENEZUELA	92,087	111,568	1,179	89
COLOMBIA	86,776	71,888	168	202
ARGENTINA	57,404	44,269		
TURKEY	55,644	55,196		
CHILE	111,175	81,601	2,674	28,669
OTHER COUNTRIES	1,056,912	867,360	13,610	13,132
TOTAL	**2,371,631**	**2,053,693**	**55,146**	**77,611**

(FIGURES IN EUROS 000)

Notes to the consolidated financial statements

1. General information on the company and its activity

MAPFRE RE, Compañía de Reaseguros S.A. (hereinafter the "Parent Company") is a reinsurance company which is the parent of a number of subsidiary companies engaged in reinsurance activities.

The Parent Company was set up in Spain and has its registered office at Paseo de Recoletos 25 in Madrid.

It has a number of central services in Madrid and five subsidiaries, four branches and ten representative offices, with a direct presence in sixteen countries. Its area of operation includes Spain, countries of the European Union and other countries, chiefly Latin America, and its activities include all types of business and classes of reinsurance.

The Parent Company is in turn a subsidiary of MAPFRE S.A. and forms part of the MAPFRE GROUP, made up of MAPFRE S.A. and various companies operating in the insurance, financial, securities, property and services sectors.

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

The consolidated financial statements were drawn up by the Board of Directors on 23 February 2011 and are expected to be approved by the General Meeting of Shareholders. Spanish regulations provide for the possibility of the annual accounts being amended in the event of their not being approved by the said sovereign body.

2. Basis of presentation of the consolidated financial statements

2.1 Basis of presentation

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

The consolidated financial statements were prepared under the historical cost basis, except for the financial assets available for sale, for the financial assets for trading and for derivatives that have been recorded at fair value.

The standards and interpretations that were approved by the European Commission but which had not entered into force on the closing date of financial year 2010 were not implemented in advance, although early adoption would have had no effect on the Group's financial position and profits.

2.2 Segment reporting

The Parent Company has voluntarily included segment details for both business and geographic segments in the consolidated financial statements. The main segments for the Company's lines of business are Life and Non-Life reinsurance.

Section E) of the consolidated financial statements includes segment reporting.

2.3 Financial information by geographical area

Section F) of the consolidated financial statements includes financial information by geographical area.

The geographical areas established are: Spain, United States of America, Brazil, Mexico, Venezuela, Colombia, Argentina, Turkey, Chile and other countries.

2.4 Changes in accounting policies, changes in estimates and errors

Except as indicated in Note 2.5, application of the new standards and interpretations applying with effect from 1 January 2010 has not had any effect on the Group's accounting policies, financial position or results.

No errors have been detected in prior years' consolidated financial statements.

2.5 Comparison of information

There is nothing to prevent the consolidated financial statements for the year from being compared with those of the preceding year.

Listed below are the main new standards and interpretations applicable as of January 1st, 2010 that introduce new accounting rules prospectively, whose application had no effect on the Group's financial position or profits:

• IFRS 3 "Business Combinations (Revised)." The changes introduced affect the valuation of non-controlling shares, accounting of the transaction costs, registration of contingent liabilities and combinations achieved in stages.

• IAS 27 "Consolidated and Separate Financial Statements (Modified)." The changes mainly affect the registration of changes in ownership of the subsidiary and the allocation of losses of the subsidiary.

2.6 Changes in the consolidation perimeter

Appendix 1 lists the companies and the changes made to the consolidation perimeter in 2010 and 2009, together with details of their equity and results.

The overall effect of these changes on the consolidatable Group's equity, financial position and results in 2010 and 2009 with respect to the preceding year is described in the relevant Notes to the Consolidated Financial Statements.

There were no relevant changes in the consolidation perimeter in the last two financial years.

2.7 Accounting judgments and estimates

In preparing the consolidated financial statements under IFRSs, the Parent Company's Board of Directors made judgments and estimates based on assumptions about the future and about uncertainties which basically refer to:

• Impairment losses on certain assets.

• Calculation of the provisions for contingencies and charges.

• The actuarial calculation of liabilities and post-employment benefit commitments.

• The useful life of intangible assets and property, plant and equipment items.

• The fair value of certain unlisted assets.

The estimates and assumptions used are regularly reviewed and are based on historical experience and other factors that may have been considered more reasonable at some time. If these reviews were to lead to a change in the estimate for a particular period, its effect would apply to that period and to any successive ones.

3. Consolidation

Basis of consolidation

3.1 Subsidiaries, associate companies and joint ventures

The identification of the subsidiaries, associate companies and joint ventures included in the consolidation are detailed in the table of shares as part of the consolidated report as Annex 1.

The status of companies as subsidiaries is determined by the Parent Company holding a majority of voting rights, directly or through branches, or, even if not holding half of the said rights, if the Parent 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 on which the Group acquires control and are excluded from the consolidation on the date on which that control ceases, with the results relating to the part of the financial year during which the companies belonged to the Group therefore being included.

Associate companies are the ones in which the Parent Company exercises a significant influence, even though they are neither subsidiaries nor joint ventures.

'Significant influence' is understood to mean the power to intervene in an investee company's decisions on financial and operating policies, but without achieving control or joint control over those policies. Significant influence is assumed to be exercised when the company holds, either directly or indirectly through its subsidiaries, at least 20% of the investee company's voting rights.

Ownership interests in associates are consolidated using the equity method, with the net goodwill identified on the acquisition date being included in the value of the ownership interests.

Where the Group's share of an associate's losses equals or exceeds the book value of its interest in the associate, including any unsecured receivable, the Group does not record additional losses unless obligations have been incurred or payments made on the associate's behalf.

To determine whether an investee company is a subsidiary or an associate company, both the potential and exercisable voting rights held and call options on shares, debt instruments convertible into shares or other instruments allowing the Parent Company to increase its voting rights have been taken into account.

There is a joint venture when two or more parties undertake an economic activity subject to joint control and regulated through a contractual agreement.

Excluded from consideration of subsidiaries, associate companies and joint ventures are the investments carried out by investment funds and similar companies.

The financial statements of subsidiaries, associate companies and joint ventures used for consolidation correspond to the year ending December 31, 2010 and 2009.

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

The Group's functional and presentation currency is the Euro. The balances and operations of Group companies whose functional currency is not the Euro are therefore converted into Euros using the closing exchange rate method.

Any exchange differences resulting from application of the above procedure, as well as those arising from the translation of foreign-currency loans and other instruments used to hedge investments in foreign operations, are included as a separate component in the "Statement of Recognised Income and Expenses" and are included in equity in the "Translation Differences" account, with the part of the difference corresponding to "Minority Interest" having been deducted.

The rest of the foreign-currency transactions, except for reinsurance operations, are initially converted into Euros using the exchange rate applying on the transaction date.

At the close of the quarter, balances relating to foreign-currency-denominated monetary items are converted at the Euro exchange rate applying on that date. Any exchange differences are then allocated in the income statement, except for monetary financial assets classified as available for sale, and not earmarked for hedging foreign-currency-denominated technical provisions in which differences other than those produced by exchange rate variations that are not the result of variations in their amortised cost, are recognised in the equity.

Adjustments to the opening balance

The columns of adjustments to the opening balance appearing in the various tables in the Notes to the Annual Financial Statements include variations occurring as a result of a different translation exchange rate being applied in the case of figures relating to subsidiaries abroad.

The variations in the technical provisions appearing in the consolidated income statement differ from those obtained from the difference in the balance sheet balances for the current and preceding financial years, as a result of a different translation exchange rate being applied in the case of subsidiaries abroad.

4. Earnings per share and dividends

4.1 Earnings per share

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

	2010	2009
Net profit attributable to the Parent Company's shareholders (€000)	124,203	112,509
Weighted average number of ordinary shares outstanding (in thousands of shares)	72,231	72,231
Basic earnings per share (Euros)	**1.72**	**1.56**

4.2 Dividends

The breakdown of the Parent Company's dividends in the last two financial years is as follows.

	TOTAL DIVIDEND		DIVIDEND PER SHARE	
ITEM	2010	2009	2010	2009
Interim dividend	35,393,223	50,561,748	0.49	0.70
Final dividend	23,113,942	19,502,388	0.32	0.27
TOTAL	**58,507,165**	**70,064,136**	**0.81**	**0.97**

(FIGURES IN EUROS)

The total dividend for the 2010 financial year has been proposed by the Board of Directors and is awaiting approval by the Ordinary General Meeting of Shareholders.

The planned dividend payout complies with the requirements and limitations laid down in the legal regulations and the Articles of Association.

During 2010, the Parent Company paid an interim dividend totalling €35,393,223.32.

The liquidity statement prepared by the Board of Directors for the 2010 payout is shown below:

ITEM	Date of resolution: 01/12/2010
Cash available on the date of the resolution	110,100
Cash increases forecast within one year	
(+) From expected current collection transactions	395,000
(+) From financial transactions	
Cash reductions forecast within one year	
(-) From expected current payment transactions	(185,000)
(-) From expected financial transactions	(150,000)
Cash available within one year	170,100

(FIGURES IN EUROS 000)

5. Accounting policies

Below are the accounting policies applied in respect of the following items:

5.1 Intangible assets

OTHER INTANGIBLE ASSETS

• Intangible assets arising from an independent acquisition
Intangible assets acquired from third parties in a market transaction are valued at cost. If their useful life is finite, they are amortised on that basis, whereas if they have an indefinite useful life they are subject to value impairment tests on at least an annual basis.

• Internally generated intangible assets
Research costs are recognised directly in the consolidated income statement for the year in which they are incurred. Development costs are recorded as an asset when their probability, reliability and future recoverability may be reasonably ensured, and are carried at cost.

Capitalised development costs are amortised over the period in which income or yields are expected to be obtained, without prejudice to the valuation that could be made if impairment occurred.

5.2 Property, plant and equipment, and investment property

Property, plant and equipment and investment property are valued at their acquisition cost less their accumulated amortisation and any accumulated impairment losses.

Post-acquisition costs are recognised as an asset only where future economic profits associated with them are likely to revert to the Group and the cost of the item can be reliably determined. Remaining expenses for maintenance and repair are charged to the consolidated income statement during the financial year in which they are incurred.

Property, plant and equipment and investment property are amortised on a straight-line basis on the asset's cost value, less its residual value and less the value of the land, based on the following periods of useful life of each of the assets:

GROUP OF ELEMENTS	YEARS	ANNUAL RATE
Buildings and construction	50-25	2%-4%
Transportation equipment	6,25	16%
Furniture	10	10%
Fixtures	16.6-10	6%-10%
Data processing equipment	4	25%

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

Items of property, plant and equipment or investment property are written off when they are sold or when their continued use is no longer expected to generate future economic profits. Gains or losses arising from the write-off are included in the consolidated income statement.

5.3 Leases

OPERATING LEASES

Leases where the lessor retains a significant part of the risks and rewards of ownership are classed as operating leases. Operating lease payments (net of any incentive received from the lessor) are charged in the consolidated income statement on a straight-line basis over the lease term.

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:

• **Held-to-maturity portfolio**
This category includes securities for which there is the intent and the proven financial capacity to hold them until they mature.

• **Available-for-sale portfolio**
This portfolio includes securities representing debt not classified as "Held-to-maturity portfolio" or "Trading portfolio" and equity instruments of companies that are not subsidiaries, associates or joint ventures, and which have not been included in the "Trading portfolio".

• **Trading portfolio**
This portfolio includes financial assets, originated or acquired with a view to their short-term realisation, which form part of a portfolio of jointly identified and managed financial instruments for which there is evidence of recent action to achieve short-term gains.

This portfolio also includes non-hedging financial instruments and hybrid financial assets valued entirely at fair value.

With hybrid financial assets, which simultaneously include a main contract and a financial derivative, both components are segregated and dealt with independently for the purposes of classification and valuation. Exceptionally, where segregation of this kind is not possible, hybrid financial assets are valued at their fair value.

VALUATION

In their initial recognition in the balance sheet, all financial investments forming part of the above portfolios are recognised at the fair value of the consideration handed over, plus, in the case of financial investments not classified in the "Trade portfolio", any transaction costs directly attributable to their acquisition.

After the initial recognition, financial investments are valued at their fair value, without deducting any transaction costs that might be incurred through their sale or any type of disposal, with the following exceptions:

a) Financial investments included in the "Held-to-maturity portfolio" which are valued at their amortised cost using the effective interest rate method.

The effective interest rate is the adjustment rate exactly matching the initial value of a financial instrument to all its estimated cash flows from every point of view throughout its remaining life.

b) Financial assets that are equity instruments whose fair value may not be reliably estimated, as well as derivatives having such instruments as their underlying asset, and which are settled by handing them over, these being valued at cost.

The fair value of financial investments is the price that would be paid for them in a transparent, organised market ("quoted price" or "market value"). When the market value mentioned is not available, the fair value is determined by restating the future financial flows, including the redemption value, at rates equivalent to the interest rates of swaps in Euros, increased or decreased by the differential arising from the issuer's credit quality, and standardised according to the issuer's quality and the term to maturity.

The fair value of the financial derivatives included in the "Trading portfolio" is taken to be their daily market value or, failing that, the present value of future cash flows.

The book value of financial investments is adjusted against the consolidated income statement when there is objective evidence of an event having occurred that has a negative impact on its future cash flows or on any other circumstance showing that the investment cost of an equity instrument is not recoverable.

Objective evidence of impairment is determined on an individual basis for all types of financial instruments.

The amount of impairment 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 they have suffered any impairment. In addition, a prolonged fall in market value (18 months) or a significant decline in cost (40%) is assumed to be a sign of impairment. The amount of estimated impairment losses is recognised in the consolidated income statement, including, in addition, any reduction in the fair value of investments previously recognised under "Adjustments for changes in value".

In the case of cash flow swaps, the amounts accrued from the main transactions are recognised, with the amount resulting from the flows being carried under "Other financial liabilities" or "Corporate and other loans", as the case may be.

5.5 Asset impairment

At the close of each financial year, the Group assesses whether there are any signs that asset items 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 that are not being used and intangible assets with an indefinite useful life, the recoverable value is estimated irrespective of any signs of impairment.

Where the book value exceeds the recoverable amount, the excess is recognised as a loss, reducing the asset's book value to its recoverable amount.

Where an increase in the recoverable value of an asset other than goodwill occurs, the previously recognised impairment loss is reversed, increasing the asset's book value to its recoverable value. This increase never exceeds the book value net of amortisation which would be recorded if the impairment loss had not been recognised in prior years. The reversal is recognised in the consolidated income statement, unless the asset has previously been revalued against "Valuation adjustment reserves", in which case the reversal is treated as a revaluation increase. After this reversal, the amortisation expense is adjusted in subsequent periods.

5.6 Loans and receivables

Valuation of these assets is generally carried out at the amortised cost, calculated using the effective interest rate method, with provisions for any value impairment losses shown being deducted.

Where there is objective evidence that an impairment loss has been incurred, the relevant provision has been set up for the amount deemed unrecoverable. That amount is equal to the difference between the asset's book value and the present value of future cash flows, discounted at the asset's original effective interest rate. The amount of the loss is recognised in the consolidated income statement for the year.

5.7 Liquid assets

Liquid assets are made up of cash and cash equivalents.

Cash is made up of cash and sight deposits with banks.

Cash equivalents correspond to those high liquidity short-term investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

5.8 Prepayments and accrued income

The "Prepayments" heading on the assets side basically includes commission and other acquisition expenses corresponding to earned premiums attributable to the period between the closing date and the term of cover of the contracts, with such expenses being those actually borne in the period, subject to the limit established in the technical basis.

Similarly, the "Accruals" heading on the liabilities side includes commission and other acquisition expenses of ceded reinsurance that are to be allocated to the following year or years, according to the period of cover of the ceded policies.

5.9 Reinsurance operations

A) PREMIUMS

Assumed and retroceded reinsurance
Premiums from assumed (inward) reinsurance are posted on the basis of the accounts received from the ceding companies.

Retrocession operations are recorded using the same criteria as for assumed reinsurance, on the basis of the retrocession treaties written.

B) TECHNICAL PROVISIONS

B.1) Assumed reinsurance
PROVISION FOR UNEARNED PREMIUMS
Assumed (inward) reinsurance operations are posted on the basis of the accounts received from ceding companies. If, when the accounts are closed, the ceding company's latest accounts are not available, the balance of other accounts received will be deemed to be a provision for unearned premiums from non-closed accounts, in order not to recognise results when recording such accounts. Where, exceptionally, these provisions from non-closed accounts were to be adversely affected by the posting of major claims payments constituting a sure loss that could not be offset by movements of non-closed accounts, the provision would be adjusted by the relevant amount.

Where the latest account and outstanding claims report are available, the provisions from non-closed accounts are cancelled and allocated to the provisions for unearned premiums, according to the information provided by the ceding company, with accruals being made on a policy-by-policy basis. Failing this, the figure posted for the provision for unearned premiums will be the amount of the premium deposit retained for this purpose and, as a last resort, an overall premium accrual method may be used.

Acquisition expenses notified by the ceding companies are accrued under the "Prepayments" heading of the consolidated balance sheet and correspond to the expenses actually borne in the period. Where ceding companies fail to notify the amounts, acquisition expenses are accrued on a risk-by-risk basis for facultative proportional reinsurance, and on a global basis for any other proportional business.

PROVISION FOR UNEXPIRED RISKS

This is calculated on a class-of-business basis and complements the provision for unearned premiums with the amount by which it inadequately reflects the valuation of contingencies and charges that are to be covered in the period of cover still to run on the closing date.

PROVISION FOR OUTSTANDING CLAIMS

Provisions for outstanding claims are allocated for the amounts notified by the ceding company or, failing that, for the retained deposits, and include complementary provisions for losses incurred but not reported (IBNR), as well as for deviations in existing ones, based on the Company's own experience.

B.2) Retroceded reinsurance

Retrocession operations and their corresponding technical provisions are recorded using the same criteria as for assumed reinsurance, on the basis of the retrocession treaties written.

B.3) Liability adequacy test

The technical provisions recorded are regularly subjected to a reasonableness test in order to determine their adequacy on the basis of projections of all future cash flows of existing contracts. If it becomes apparent from this test that the provisions are inadequate, they are adjusted against the results for the financial year.

C) CLAIMS

Claims under assumed reinsurance are posted on the basis of the accounts received from the ceding companies, and also based on information from the Company's own historical experience.

Claims under ceded and retroceded reinsurance are recorded according to the reinsurance treaties written, and under the same criteria as those used for direct insurance and assumed reinsurance, respectively.

D) MOST SIGNIFICANT ASSUMPTIONS AND OTHER SOURCES FOR ESTIMATING UNCERTAINTIES

With regard to assets, liabilities, income and expenses deriving from insurance contracts, the assumptions used as a basis for issuing the contracts and specified in the technical basis are normally used.

Generally, the estimates and assumptions used are regularly reviewed and are based on historical experience and other factors that may have been considered more reasonable at some time. If these reviews were to lead to a change in the estimate for a particular period, its effect would apply to that period and to any successive ones.

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

In the case of liabilities, the assumptions are based on the best possible estimate at the time the contracts are issued. Nevertheless, should clear evidence of inadequacy emerge, the provisions needed to cover it would be established.

E) IMPAIRMENT

Where there is objective evidence that an impairment loss has occurred, the general valuation criterion mentioned in Note 5.6, "Loans and receivables", is applied.

5.10 Provisions for contingencies and charges

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

Where all or part of a provision is expected to be reimbursed, the reimbursement is recognised as a separate asset.

5.11 Payables

The valuation of items included under the "Payables" heading is generally done at amortised cost, using the effective interest rate method.

In the case of debts maturing after more than one year, for which the parties have not expressly agreed the interest rate applicable, the debts are discounted taking as the implicit financial interest rate that in force in the market for government securities with the same or similar term to the maturity of the debts, without prejudice to consideration of the relevant risk premium.

5.12 General criterion for income and expenses

The general principle for recognising income and expenses is the accrual criterion, according to which income and expenses are allocated on the basis of the actual flow of goods and services that they represent, irrespective of when the monetary or financial flow deriving from them occurs.

5.13 Employee benefits

Employee benefits may be short term, post-employment benefits, termination benefits and other long-term benefits.

A) SHORT-TERM BENEFITS

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

B) POST-EMPLOYMENT BENEFITS

These essentially consist of defined-benefit and defined-contribution plans.

Defined-contribution plans

These are post-employment benefit plans in which the entity involved makes predetermined contributions to a separate entity (whether a related or a non-Group entity) and does not have any legal or implicit obligation to make additional contributions in the event of there being insufficient assets to honour the benefits. The obligation is limited to making the agreed contribution to a fund, and the amount of the benefits to be received by employees is determined by the contributions made, plus the return on the investments made from the fund.

Defined-benefit plans
These are post-employment benefit plans different from those with defined contributions.

The liability recognised in the balance sheet relating to defined-benefit pension plans, recorded as mathematical reserves under the relevant heading, is equal to the current value of the defined-benefits obligation on the balance sheet date, less the fair value of any assets allocated to the plan.

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

Actuarial gains and losses arising are debited or credited to the income statement in the financial year in which they become apparent.

The liabilities for defined benefit plans that remain in the balance pertain only to personal liability.

C) TERMINATION BENEFITS

Termination benefits are recognised as a liability and expense when there is a demonstrable agreement to terminate the employment relationship of a certain number of employees before their normal retirement date, or where there is an offer to encourage the voluntary termination of contracts.

D) SHARE-BASED PAYMENTS

Share-based payments settled in cash are valued at the initial time of their allotment, following a valuation of shares method. The valuation is allocated to results under the personnel expenses item for the period of time that the employee is required to serve in order to qualify, with a liability in favour of the employee being recognised as a balancing item.

The initial valuation is re-estimated each year, with the portion that relates to the financial year being recognised in the results for that year, together with the portion obtained from the re-estimate that relates to prior years.

This scheme is revocable, as it is subject to the executive remaining in the Group.

E) OTHER LONG-TERM EMPLOYEE BENEFITS

The accounting record of other long-term employee benefits other than those described in the preceding paragraphs follows the principles previously described, except for the cost of past service, which is recognised immediately.

5.14 Investment income and expenses

Investment income and expenses are classified between operations and equity, according to their origin, whether allocated to cover technical provisions or forming shareholders' equity, respectively.

Income and expenses from financial investments are recorded according to the portfolio in which they are classified, based on the following criteria:

A) TRADING PORTFOLIO

Changes in fair value are recorded directly in the consolidated income statement, with a distinction being made between the portion attributable to yields, which are recorded as interest or dividends, as appropriate, and the portion recorded as realised or unrealised results.

B) HELD-TO-MATURITY PORTFOLIO

Changes in fair value are recognised when a financial instrument is disposed of and when it becomes impaired.

C) AVAILABLE-FOR-SALE PORTFOLIO

Changes in fair value are recognised directly in the company's equity until the financial asset is derecognised or impairment is recorded, at which time they are recorded in the consolidated statement.

In all cases, the interest from financial instruments is recorded in the consolidated income statement using the effective interest rate method.

5.15 Reclassification of expenses according to their intended purpose and allocation to operating segments

The criteria followed for the reclassification of expenses according to their use are mainly based on the function performed by each employee, with the direct and indirect costs being distributed on the basis of that function.

For expenses not directly or indirectly related to staff, individual studies are carried out and the expenses are allocated according to the function performed by those expenses.

Established uses are the following:

— Claims-related expenses

— Investment-related expenses

— Other underwriting expenses.

— Other non-underwriting expenses.

— Acquisition expenses.

— Administration expenses

— Operating expenses from other activities

Expenses have been allocated to the following segments according to the class of business which caused them:

• Assumed Life reinsurance

• Assumed Non-Life reinsurance

5.16 Foreign-currency transactions and balances

Foreign-currency transactions, except for reinsurance operations, are converted into Euros using the exchange rate applying on the transaction date.

Foreign-currency reinsurance transactions are recorded at the exchange rate established at the start of each quarter of the year. Subsequently, at the close of each quarter, they are all dealt with as if they were a single transaction and converted at the exchange rate prevailing on that date, with account being taken of the difference that this produces in the consolidated income statement.

At the year end, foreign-currency-denominated balances are converted using the Euro exchange rate prevailing on that date, with all exchange differences being allocated to the consolidated income statement, except those allocated directly to "Adjustments for changes in value", which are those arising from the monetary items that form part of the net investment in a foreign operation and from non-monetary ones valued at fair value, for which any changes in valuation are recognised directly in the equity.

5.17 Income tax

Income tax counts as one of the year's expenses and is shown as such in the consolidated income statement. It includes both the charge for current tax and the effect of the movement in deferred tax.

It is determined using the balance sheet method, whereby the relevant deferred tax assets and liabilities needed to correct the effect of temporary differences are recorded, temporary differences being those between the carrying value of an asset or a liability and its tax base. In the same way, long-term deferred assets and liabilities have been valued according to the rates that will apply in the financial years in which the assets are expected to be realised or the liabilities paid.

Temporary differences may be "Taxable temporary differences", which are the ones giving 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 are the ones giving rise to a lower amount of taxes payable in the future and, to the extent that they may be recoverable, to the recording of a deferred tax asset.

On the other hand, income tax related to items for which changes in their valuation are recognised directly in the equity is allocated to equity and not to the consolidated income statement, with the valuation changes being recorded in those items, net of the tax effect.

6. Breakdowns of consolidated financial statements

6.1 Intangible assets

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

2010 Financial year

ITEMS	Opening Balance 2010	Adjustments to the opening balance	Changes in perimeter	Additions or appropriations	Disposals, cancellations or reductions	Closing balance 2010
GOODWILL						
OTHER INTANGIBLE ASSETS	4,362	5		738	(16)	5,089
Portfolio acquisition expenses						
Computer software	4,325			738	(16)	5,047
Other	37	5				42
COST	**4,362**	**5**		**738**	**(16)**	**5,089**
ACCUMULATED AMORTISATION						
OTHER INTANGIBLE ASSETS						
Portfolio acquisition expenses						
Computer software	(2,583)			(997)		(3,580)
Other						
ACCUMULATED AMORTISATION	**(2,583)**			**(997)**		**(3,580)**
IMPAIRMENT						
GOODWILL						
OTHER INTANGIBLE ASSETS						
Portfolio acquisition expenses						
Computer software						
Other						
IMPAIRMENT						
SUBTOTAL NET GOODWILL						
SUBTOTAL OTHER NET INTANGIBLE ASSETS	**1,779**	**5**				
TOTAL NET INTANGIBLE ASSETS	**1,779**	**5**	**–**	**(259)**	**(16)**	**1,509**

(FIGURES IN EUROS 000)

2009 Financial year

ITEMS	Opening Balance 2010	Adjustments to the opening balance	Changes in perimeter	Additions or appropriations	Disposals, cancellations or reductions	Closing balance 2010
GOODWILL						
OTHER INTANGIBLE ASSETS	3,911	(1)		645	(193)	4,362
Portfolio acquisition expenses						
Computer software	3,911	(1)		608	(193)	4,325
Other				37		37
COST	**3,911**	**(1)**		**645**	**(193)**	**4,362**
ACCUMULATED AMORTISATION						
OTHER INTANGIBLE ASSETS						
Portfolio acquisition expenses						
Computer software	(1,695)			(888)		(2,583)
Other						
ACCUMULATED AMORTISATION	**(1,695)**			**(888)**		**(2,583)**
IMPAIRMENT						
GOODWILL						
OTHER INTANGIBLE ASSETS						
Portfolio acquisition expenses						
Computer software						
Other						
IMPAIRMENT						
SUBTOTAL NET GOODWILL						
SUBTOTAL OTHER NET INTANGIBLE ASSETS	**2,216**	**(1)**		**(243)**	**(193)**	**1,779**
TOTAL NET INTANGIBLE ASSETS	**2,216**	**(1)**	**–**	**(243)**	**(193)**	**1,779**

(FIGURES IN EUROS 000)

In 2010 the main "Additions" were due primarily to purchases of software licenses and the "Disposals" were in turn due to the return of software licenses (Adobe Acrobat).

In the 2009 financial year, the main "Additions" were due principally to the development of new modules in the Condor application, and the "Disposals" were in turn due to one of these projects being abandoned.

Below is a breakdown of the useful life and amortisation rates used for the following intangible assets, for which a straight-line amortisation method has been used in all cases.

GROUP OF ELEMENTS	USEFUL LIFE (years)	AMORTISATION RATE (annual)
Computer software	4	25%

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

The significant elements classified as intangible assets at the close of each financial year are as follows:

	BOOK VALUE		AMORTISATION PERIOD OUTSTANDING	
ELEMENT	31/12/2010	31/12/2009	31/12/2010	31/12/2009
Condor Web	51	559	1 year	2 years

(FIGURES IN EUROS 000)

Fully-amortised elements amounted to €0.10 million in 2010 and €0.11 million in 2009.

6.2 Property, plant and equipment, and investment property

PROPERTY, PLANT AND EQUIPMENT

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

2010 financial year

ITEMS	Opening Balance 2010	Adjustments to the opening balance	Changes in perimeter	Additions or appropriations	Disposals, cancellations or reductions	Closing balance 2010	Market value
COST							
OWN-USE PROPERTY	38,373	624		1,140		40,137	56,327
Land and natural resources	18,459	23		342		18,824	31,681
Buildings and construction	19,914	601		798		21,313	24,646
OTHER PROPERTY, PLANT AND EQUIPMENT	5,606	252		500	(201)	6,157	2,227
Transportation equipment	741	12		166	(190)	729	382
Furniture and fixtures	2,760	151		61		2,972	991
Other property, plant and equipment	2,105	89		273	(11)	2,456	854
Advances and fixed assets in progress							
TOTAL COST	**43,979**	**876**		**1,640**	**(201)**	**46,294**	**58,554**
ACCUMULATED AMORTISATION							
OWN-USE PROPERTY	(3,018)	(5)		(626)		(3,649)	
OTHER PROPERTY, PLANT AND EQUIPMENT	(3,346)	(211)		(467)	94	(3,930)	
TOTAL ACCUMULATED AMORTISATION	**(6,364)**	**(216)**		**(1,093)**	**94**	**(7,579)**	
IMPAIRMENT							
OWN-USE PROPERTY							
Land and natural resources							
Buildings and construction							
OTHER PROPERTY, PLANT AND EQUIPMENT							
Transportation equipment							
Furniture and fixtures							
Other property, plant and equipment							
Advances and fixed assets in progress							
TOTAL IMPAIRMENT							
TOTAL OWN-USE PROPERTY	35,355	619		514		36,488	56,327
TOTAL OTHER PROPERTY, PLANT AND EQUIPMENT	2,260	41	–	33	(107)	2,227	2,227

(FIGURES IN EUROS 000)

2009 Financial year

ITEMS	Opening Balance 2009	Adjustments to the opening balance	Changes in perimeter	Additions or appropriations	Disposals, cancellations or reductions	Closing balance 2009	Market value
COST							
OWN-USE PROPERTY	36,373	156		1,844		38,373	54,311
Land and natural resources	18,438	21				18,459	31,658
Buildings and construction	17,935	135		1,844		19,914	22,653
OTHER PROPERTY, PLANT AND EQUIPMENT	4,657	227		1,233	(453)	5,606	2,260
Transportation equipment	609	12		182	(62)	741	379
Furniture and fixtures	2,380	157		524	(243)	2,760	1,083
Other property, plant and equipment	1,668	58		527	(148)	2,105	798
Advances and fixed assets in progress							
TOTAL COST	**41,030**	**383**		**3,077**	**(453)**	**43,979**	**56,571**
ACCUMULATED AMORTISATION							
OWN-USE PROPERTY	(2,642)			(376)		(3,018)	
OTHER PROPERTY, PLANT AND EQUIPMENT	(2,905)	(229)		(454)	184	(3,346)	
TOTAL ACCUMULATED AMORTISATION	**(5,547)**	**(229)**		**(830)**	**184**	**(6,364)**	
IMPAIRMENT							
OWN-USE PROPERTY							
Land and natural resources							
Buildings and construction							
OTHER PROPERTY, PLANT AND EQUIPMENT							
Transportation equipment							
Furniture and fixtures							
Other property, plant and equipment							
Advances and fixed assets in progress							
TOTAL IMPAIRMENT							
TOTAL OWN-USE PROPERTY	**33,731**	**156**		**1,468**		**35,355**	**54,311**
TOTAL OTHER PROPERTY, PLANT AND EQUIPMENT	1,752	(2)	–	779	(269)	2,260	2,260

(FIGURES IN EUROS 000)

The main "Additions" in the 2010 financial year were due principally to the purchase of a building in Venezuela. The "Disposals" were in turn due to sales of vehicles.

In 2009, the main "Additions" were due to the purchase of a building in Brazil, the purchase of assets from CIAR, and the remodelling of and changes to offices and branches. The "Disposals" produced were due to the removal of other property, plant and equipment from offices and branches.

The cost of fully-depreciated property, plant and equipment at 31 December 2010 and 31 December 2009 came to €1,076,000 and €778,000, respectively.

INVESTMENT PROPERTY

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

2010 Financial year

ITEMS	OPENING BALANCE 2010	ADJUSTMENTS TO OPENING BALANCE	CHANGES IN PERIMETER	ADDITIONS OR APPROPRIATIONS	DISPOSALS, CANCELLATIONS OR REDUCTIONS	CLOSING BALANCE 2010	MARKET VALUE
COST							
INVESTMENT PROPERTY	38,594	5,645			(583)	43,656	36,594
Land and natural resources	10,759	2,150				12,909	12,909
Buildings and construction	27,835	3,495			(583)	30,747	23,685
OTHER INVESTMENT PROPERTY							
TOTAL COST	**38,594**	**5,645**			**(583)**	**43,656**	**36,594**
ACCUMULATED AMORTISATION							
INVESTMENT PROPERTY	(7,713)	(843)		(492)	77	(8,971)	
OTHER INVESTMENT PROPERTY							
TOTAL ACCUMULATED AMORTISATION	**(7,713)**	**(843)**		**(492)**	**77**	**(8,971)**	
IMPAIRMENT							
INVESTMENT PROPERTY							
Land and natural resources							
Buildings and construction							
OTHER INVESTMENT PROPERTY							
TOTAL IMPAIRMENT							
TOTAL INVESTMENT PROPERTY	**30,881**	**4,802**	**–**	**(492)**	**(506)**	**34,685**	**36,594**

(FIGURES IN EUROS 000)

2009 Financial year

ITEMS	OPENING BALANCE 2009	ADJUSTMENTS TO OPENING BALANCE	CHANGES IN PERIMETER	ADDITIONS OR APPROPRIATIONS	DISPOSALS, CANCELLATIONS OR REDUCTIONS	CLOSING BALANCE 2009	MARKET VALUE
COST							
INVESTMENT PROPERTY	33,689	4,976			(71)	38,594	32,645
Land and natural resources	9,062	1,710			(13)	10,759	10,759
Buildings and construction	24,627	3,266			(58)	27,835	21,886
OTHER INVESTMENT PROPERTY							
TOTAL COST	**33,689**	**4,976**			**(71)**	**38,594**	**32,645**
ACCUMULATED AMORTISATION							
INVESTMENT PROPERTY	(6,386)	(1,180)		(147)		(7,713)	
OTHER INVESTMENT PROPERTY							
TOTAL ACCUMULATED AMORTISATION	**(6,386)**	**(1,180)**		**(147)**		**(7,713)**	
IMPAIRMENT							
INVESTMENT PROPERTY							
Land and natural resources							
Buildings and construction							
OTHER INVESTMENT PROPERTY							
TOTAL IMPAIRMENT							
TOTAL INVESTMENT PROPERTY	**27,303**	**3,796**	**–**	**(147)**	**(71)**	**30,881**	**32,645**

(FIGURES IN EUROS 000)

No relevant movements arose in the 2010 financial year.

The market value of investment property matches the appraisal value determined by the Spanish Insurance and Pension Supervisory Authority or by the authorised independent appraisal body.

Impairment losses for the year are recorded under "Provision for impairment of assets" and the reversal under "Reversal of provision for impairment of assets" in the consolidated income statement.

Lease income and expenses arising from investment property in the last two years are detailed in the following table.

	INVESTMENTS FROM					
	OPERATIONS		EQUITY		TOTAL	
ITEM	2010	2009	2010	2009	2010	2009
Income from investment property						
From rents	3,332	2,558			3,332	2,558
Gains on disposals		–				–
TOTAL INCOME FROM INVESTMENT PROPERTY	**3,332**	**2,558**			**3,332**	**2,558**
Expenses from investment property						
Direct operating expenses	(895)	(860)			(895)	(860)
Other expenses	–	–			–	–
TOTAL EXPENSES FROM INVESTMENT PROPERTY	**(895)**	**(860)**	**–**	**–**	**(895)**	**(860)**

(FIGURES IN EUROS 000)

6.3 Leases

OPERATING LEASES

The Group has leased the following elements under operating lease agreements:

	NET BOOK VALUE		TERM OF THE AGREEMENT		YEARS ELAPSED	
TYPE OF ASSET	2010	2009	2010	2009	2010	2009
Belgian premises	4,331	4,476	10	10	8	7
Real estate in Chile	30,354	26,405	1	1	annually renewable	annually renewable
TOTAL	**34,685**	**30,881**				

(FIGURES IN EUROS 000)

The minimum future receipts at 31 December of the last two years, receivable in respect of non-cancellable operating leases, are as follows:

	Minimum receipts 2010	Minimum receipts 2009
Less than one year	3,128	3,025
More than one year but less than five	14,292	12,946
More than five years	–	–
TOTAL	**17,420**	**15,971**

(FIGURES IN EUROS 000)

6.4 Financial investments

At 31 December 2010 and 2009, the breakdown of financial investments was as follows:

ITEM	BOOK VALUE AÑO 2010	BOOK VALUE AÑO 2009
TOTAL HELD-TO-MATURITY PORTFOLIO	0	0
AVAILABLE-FOR-SALE PORTFOLIO		
Equities	106,698	99,228
Fixed-income securities	1,849,286	1,722,503
Mutual funds	70,082	59,290
Other		
TOTAL AVAILABLE-FOR-SALE PORTFOLIO	2,026,066	1,881,021
TRADING PORTFOLIO		
Other investments		
Equities	128	32
Fixed-income securities		
Mutual funds	40,203	19,863
Other	2,933	9,471
TOTAL TRADING PORTFOLIO	43,264	29,366

(FIGURES IN EUROS 000)

A) AVAILABLE-FOR-SALE PORTFOLIO

A breakdown of the investments allocated to the available-for-sale portfolio as at 31 December 2010 and 2009 is given below:

	MARKET VALUE								IMPAIRMENT			
	MARKET PRICE		OBSERVABLE DATA		OTHER VALUATIONS		BOOK VALUE		RECORDED LOSS		GAINS ON REVERSAL	
ITEM	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Equities	106,698	99,228					106,698	99,228				
Fixed-income securities	1,849,286	1,722,503					1,849,286	1,722,503				
Mutual funds	70,082	59,290					70,082	59,290			528	960
TOTAL AVAILABLE-FOR-SALE PORTFOLIO	2,026,066	1,881,021	–	–	–	–	2,026,066	1,881,021	–	–	528	960

(FIGURES IN EUROS 000)

For the purposes of the breakdown given in the previous table, the market value was calculated considering the following:

a) Market price: prices quoted in active markets for the same instrument being valued.

b) Observable data: prices quoted in active markets for instruments similar to the instrument being valued, or other valuation techniques in which all the significant variables are based on observable market data.

c) Other valuations: valuation techniques in which some of the significant variables are not based on market data.

Valuation adjustments in the portfolio investments amount to €(92.5) million and €56.1 million as at 31 December 2010 and 2009, respectively, these being recorded net of the tax effect on equity.

Transfers to the consolidated income statement of valuation adjustments of prior years' portfolio investments, carried out during 2010 and 2009, come to net amounts of €(12.4) million and €(8.1) million, respectively.

B) TRADING PORTFOLIO

A breakdown of the investments allocated to the trading portfolio as at 31 December 2010 and 2009 is given below:

	MARKET VALUE								CAPITAL GAINS (LOSSES) ALLOCATED TO RESULTS			
	MARKET PRICE		OBSERVABLE DATA		OTHER VALUATIONS		BOOK VALUE		UNREALISED		REALISED	
ITEM	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
OTHER TRADING PORTFOLIO INVESTMENTS												
Equities	128	32					128	32				
Fixed-income securities												
Mutual funds	40,203	19,863					40,203	19,863			64	
Other	2,933	9,471					2,933	9,471				
TOTAL OTHER INVESTMENTS	**43,264**	**29,366**		**–**		**–**	**43,264**	**29,366**	**–**	**–**	**64**	
TOTAL TRADING PORTFOLIO	**43,264**	**29,366**	**–**	**–**	**–**	**–**	**43,264**	**29,366**	**–**	**–**	**64**	**–**

(FIGURES IN EUROS 000)

The capital gains and losses in the trading portfolio are recorded in the income statement, details of which are to be found in Note 6.14, "Investment income and expenses".

6.5 Loans and receivables

The following table shows the breakdown of loans and receivables as at 31 December 2010 and 2009; it also shows impairment losses and gains from impairment reversals recorded in the last two financial years:

							IMPAIRMENT					
	GROSS AMOUNT		IMPAIRMENT		NET BALANCE IN THE BALANCE SHEET		RECORDED LOSSES		GAINS ON REVERSAL		COLLATERAL HELD	
ITEM	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
I. Receivables from reinsurance operations	229,350	212,454	(1,377)	(1,501)	227,973	210,953		(313)	124			
II. Tax credits	12,112	3,275			12,112	3,275						
III. Corporate and other loans	4,925	3,351			4,924	3,351						
TOTAL	**246,387**	**219,080**	**(1,377)**	**(1,501)**	**245,009**	**217,579**	**–**	**(313)**	**124**	**–**	**–**	**–**

(FIGURES IN EUROS 000)

The balances included under "Loans and receivables" do not earn interest and are generally settled in the following year.

6.6 Asset impairment

The following tables detail the impairment of assets in the last two years:

2010 Financial year

IMPAIRMENT IN:	OPENING BALANCE	ADJUSTMENTS TO OPENING BALANCE	CHANGES IN PERIMETER	RECORDING IN RESULTS		DIRECT RECORDING		CLOSING BALANCE
				ADDITION	REDUCTION	ADDITION	REDUCTION	
INTANGIBLE ASSETS								
I. Goodwill								
II. Other intangible assets								
PROPERTY, PLANT AND EQUIPMENT								
I. Own-use property								
II. Other property, plant and equipment								
INVESTMENTS	**(1,690)**				**528**			**(1,162)**
I. Investment property								
II. Financial investments	(1,690)				528			(1,162)
- Held-to-maturity portfolio								
- Available-for-sale portfolio	(1,690)				528			(1,162)
Trading portfolio								
III. Equity-method-accounted investments								
IV. Deposits established for assumed reinsurance								
V. Other investments								
LOANS AND RECEIVABLES	**(1,501)**				**124**			**(1,377)**
I. Receivables from direct insurance and coinsurance operations								
II. Receivables from reinsurance operations	(1,501)				124			(1,377)
III. Tax credits								
IV. Corporate and other loans								
V. Called-up share capital								
OTHER ASSETS								
TOTAL IMPAIRMENT	**(3,191)**	**–**	**–**	**–**	**652**	**–**	**–**	**(2,539)**

(FIGURES IN EUROS 000)

2009 Financial year

IMPAIRMENT IN:	OPENING BALANCE	ADJUSTMENTS TO OPENING BALANCE	CHANGES IN PERIMETER	RECORDING IN RESULTS		DIRECT RECORDING		CLOSING BALANCE
				ADDITION	REDUCTION	ADDITION	REDUCTION	
INTANGIBLE ASSETS								
I. Goodwill								
II. Other intangible assets								
PROPERTY, PLANT AND EQUIPMENT								
I. Own-use property								
II. Other property, plant and equipment								
INVESTMENTS	**(2,650)**				**960**			**(1,690)**
I. Investment property	(2,650)				960			(1,690)
II. Financial investments								
- Held-to-maturity portfolio	(2,650)				960			(1,690)
- Available-for-sale portfolio								
Trading portfolio								
III. Equity-method-accounted investments								
IV. Deposits established for assumed reinsurance								
V. Other investments								
LOANS AND RECEIVABLES	**(1,188)**			**(313)**	**0**			**(1,501)**
I. Receivables from direct insurance and coinsurance operations								
II. Receivables from reinsurance operations	(1,188)			(313)	0			(1,501)
III. Tax credits								
IV. Corporate and other loans								
V. Called-up share capital								
OTHER ASSETS								
TOTAL IMPAIRMENT	**(3,838)**	**–**	**–**	**(313)**	**960**	**–**	**–**	**(3,191)**

(FIGURES IN EUROS 000)

6.7 Liquid assets

No significant monetary transactions relating to investing and financing activities were excluded when the cash flow statement was being prepared.

The breakdown of the cash balance of the last two financial years is as follows:

ITEM	2010	2009
Cash	64,168	40,809
Cash equivalents	64,132	24,970
TOTAL	**128,300**	**65,779**

(FIGURES IN EUROS 000)

6.8 Equity

Share capital is recorded through the par value of paid-up shares, or of shares for which payment has been called.

The Parent Company's share capital at 31 December 2010 was represented by 72,231,068 registered shares with a par value of €3.10 each, fully subscribed and paid up. All the shares confer the same political and economic rights.

Mapfre SA participates in 91.53 per 100 and 91.53 per 100 of capital as of December 31st, 2010 and 2009 respectively.

The shares representing the corporate capital of the Parent Company are not admitted to official trading.

As of December 31st, 2010 and 2009 none of the Group companies own shares of the Parent Company.

The "Valuation adjustment reserve" includes the equity reserves shown as a result of the income and expenses recognised in each financial year according to the provisions of the IFRSs, must be directly reflected in the Group's equity accounts.

Any remaining adjustments, regardless of whether they come from the transition date or later dates, are included in the "Unallocated retained earnings from prior years" account.

The statutory reserve, amounting to €44.8 million in 2010 and €44.7 million in 2009, cannot be distributed to shareholders, except in the event of the Parent Company being wound up, and may only be used to offset any losses.

The same restriction applies to statutory reserves set up by subsidiaries and shown in their balance sheets.

There is no other restriction on the availability of reserves for any significant amount.

CAPITAL MANAGEMENT

MAPFRE has an internal capitalisation and dividend policy aimed at rationally and objectively providing the Units with the capital required to meet the risks assumed. Both the assessment of risks and the allocation of capital to each Unit are detailed in Note 7 of the "Risk Management" report.

On the other hand, the items making up the Group's uncommitted equity are in line with the requirements of the regulations in force.

The Group's solvency margin in the 2010 and 2009 financial years stood at €841.7 million and €790.8 million, respectively, figures which exceeded the required minimum (€347.9 million and €316.9 million, respectively) by 2.42 times in 2010 and 2.49 times in 2009.

6.9 Technical provisions

1. The following table gives a breakdown of the balance of each of the technical provisions appearing in the balance sheet in the last two financial years.

	ASSUMED REINSURANCE		CEDED AND RETROCEDED REINSURANCE	
ITEM	2010	2009	2010	2009
1 - Provisions for non-life unearned premiums and unexpired risks	**1,164,404**	**1,068,419**	**348,480**	**351,624**
1.1 Provision for unearned premiums	1,164,111	1,067,052	348,480	351,624
1.2 Provision for unexpired risks	293	1,367		
2 - Provisions for life insurance	**178,716**	**137,268**	**11,374**	**9,226**
2.1 Provisions for unearned premiums and unexpired risks	113,298	84,952	11,374	9,226
2.1.1 Provision for unearned premiums	113,298	84,952	11,374	9,226
2.1.2 Provision for unexpired risks				
2.2 Mathematical reserves	65,418	52,316		
2.3 Provisions for profit sharing				
3 - Provisions for claims	**1,522,957**	**1,032,082**	**605,941**	**242,881**
3.1 Claims outstanding	1,522,957	1,032,082	605,941	242,881
3.2 Claims incurred but not reported (IBNR)				
3.3 For internal claims handling costs				
4 - Other technical provisions				
4.1 Funeral plan insurance				
4.2 Others				
TOTAL	**2,866,077**	**2,237,769**	**965,795**	**603,731**

(FIGURES IN EUROS 000)

1.1 PROVISIONS FOR UNEARNED PREMIUMS, UNEXPIRED RISKS, CLAIMS, PROFIT SHARING AND OTHER TECHNICAL PROVISIONS

A) Assumed reinsurance

2010 Financial year

ITEM	OPENING BALANCE	ADJUSTMENTS TO OPENING BALANCE	CHANGES IN PERIMETER	ADDITIONS	REVERSALS	CLOSING BALANCE
I. Provision for non-life unearned premiums and unexpired risks	1,068,419			1,164,404	(1,068,419)	1,164,404
1. Provisions for unearned premiums	1,067,052			1,164,111	(1,067,052)	
2. Provisions for unexpired risks	1,367			293	(1,367)	1,164,111
II. Provision for life insurance	137,268			178,716	(147,337)	293
1. Provisions for unearned premiums	84,952			113,298	(84,952)	178,716
2. Provisions for unexpired risks						113,298
3. Mathematical reserves	52,316	10,069		65,418	(62,385)	
4. Provision for profit sharing						65,418
III. Provision for outstanding claims	1,032,082			1,522,957	(1,032,082)	
Assumed reinsurance	1,032,082			1,522,957	(1,032,082)	1,522,957
IV. Other technical provisions						1,522,957
TOTAL	**2,237,769**	**10,069**	**–**	**2,866,077**	**(2,247,838)**	**2,866,077**

(FIGURES IN EUROS 000)

2009 Financial year

ITEM	OPENING BALANCE	ADJUSTMENTS TO OPENING BALANCE	CHANGES IN PERIMETER	ADDITIONS	REVERSALS	CLOSING BALANCE
I. Provision for non-life unearned premiums and unexpired risks	986,630			1,068,419	(986,630)	1,068,419
1. Provisions for unearned premiums	984,759			1,067,052	(984,759)	1,067,052
2. Provisions for unexpired risks	1,871			1,367	(1,871)	1,367
II. Provision for life insurance	117,633	8,962		137,268	(126,595)	137,268
1. Provisions for unearned premiums	74,300			84,952	(74,300)	84,952
2. Provisions for unexpired risks						
3. Mathematical reserves	43,333	8,962		52,316	(52,295)	52,316
4. Provision for profit sharing						
III. Provision for outstanding claims	939,683			1,032,082	(939,683)	1,032,082
Assumed reinsurance	939,683			1,032,082	(939,683)	1,032,082
IV. Other technical provisions						
TOTAL	**2,043,946**	**8,962**	**–**	**2,237,769**	**(2,052,908)**	**2,237,769**

(FIGURES IN EUROS 000)

B) Retroceded reinsurance

2010 Financial year

ITEM	OPENING BALANCE	ADJUSTMENTS TO OPENING BALANCE	CHANGES IN PERIMETER	ADDITIONS	REVERSALS	CLOSING BALANCE
Provision for unearned premiums	351,624	2,527		348,480	(354,151)	348,480
Provision for life insurance	9,226			11,374	(9,226)	11,374
Provision for outstanding claims	242,881	534		605,941	(243,415)	605,941
Other technical provisions						
TOTAL	**603,731**	**3,061**	**–**	**965,795**	**(606,792)**	**965,795**

(FIGURES IN EUROS 000)

2009 Financial year

ITEM	OPENING BALANCE	ADJUSTMENTS TO OPENING BALANCE	CHANGES IN PERIMETER	ADDITIONS	REVERSALS	CLOSING BALANCE
Provision for unearned premiums	347,080			351,624	(347,080)	351,624
Provision for life insurance	10,240			9,226	(10,240)	9,226
Provision for outstanding claims	279,325	6		242,881	(279,331)	242,881
Other technical provisions						
TOTAL	**636,645**	**6**	**–**	**603,371**	**(636,651)**	**603,731**

(FIGURES IN EUROS 000)

1.2 MATHEMATICAL RESERVES

ITEM	DIRECT INSURANCE AND ASSUMED REINSURANCE 2010	2009
Mathematical reserve at beginning of year	**52,316**	**43,333**
Adjustments to the opening balance	10,069	8,962
Incorporation into perimeter (balance of reserve on incorporation date)		
Premiums		
Technical interest		
Attribution of profit sharing		
Claims payments/receipts		
Reserve adequacy test		
Shadow accounting adjustments	3,033	
Other		21
Exit from perimeter (balance of reserve on exit date)		
MATHEMATICAL RESERVE AT YEAR END	**65,418**	**52,316**

(FIGURES IN EUROS 000)

1.3 CLAIMS EXPERIENCE TREND PER ACCIDENT YEAR

Information on the loss ratio trend per accident year of assumed reinsurance is not provided, as the ceding companies generally use accounting methods other than the accident-year method.

A study on the adequacy of technical provisions set up at the close of 2009 was performed in 2010. The study was carried out by an independent specialist firm of recognised standing and revealed the provisions to be adequate.

6.10 Provisions for contingencies and charges

The provisions for risks and expenses include the estimated amounts, externalised liabilities, staff incentives, payments and others arising from the activities of the companies comprised in the Group, which will be cleared in the coming years. The estimate of the amount provisioned or the time when the provision will be cleared is affected by uncertainties regarding the resolution of filed appeals and the development of other parameters. It was not necessary to make assumptions about future events in order to determine the value of the provision.

The tables below detail the movements of the provisions for contingencies and charges in the last two financial years.

2010 Financial year

ITEM	OPENING BALANCE	ADJUSTMENTS TO OPENING BALANCE	CHANGES IN PERIMETER	INFLOWS		OUTFLOWS		CLOSING BALANCE	AMOUNT OF RECOGNISED REIMBURSEMENTS	MAXIMUM REVERSAL PERIOD
				Allocated provisions	Increased value through discount	Provisions used	Provisions reversed			
Provisions for staff incentives	1,025	0		952		(1,025)		952		
Other provisions	1,822	0		52		(1,057)		817		
TOTAL BOOK VALUE	**2,847**	**0**	**–**	**1,004**	**–**	**(2,082)**	**–**	**1,769**	**–**	**–**

(FIGURES IN EUROS 000)

2009 Financial year

ITEM	OPENING BALANCE	ADJUSTMENTS TO OPENING BALANCE	CHANGES IN PERIMETER	INFLOWS		OUTFLOWS		CLOSING BALANCE	AMOUNT OF RECOGNISED REIMBURSEMENTS	MAXIMUM REVERSAL PERIOD
				Allocated provisions	Increased value through discount	Provisions used	Provisions reversed			
Provisiones por incentivos del personal	1.174			1.025		(1.174)		1.025		
Otras provisiones	8.495			1.392		(8.065)		1.822	465	
TOTAL VALOR EN LIBROS	**9.669**	**–**	**–**	**2.417**	**–**	**(9.239)**	**–**	**2.847**	**465**	**–**

(FIGURES IN EUROS 000)

The "Other provisions" heading includes supplementary pensions for the Lisbon office, as well as externalised obligations with related parties as detailed in Note 6.18.

6.11 Deposits received on ceded (outward) and retroceded reinsurance

Deposits on ceded and retroceded reinsurance represent guarantees given to reinsurers on the basis of the reinsurance coverage contracts entered into as part of standard business practice. They accrue interest payable of between 3% and 3.5%, and the average rollover period is generally annual. The interest in question is paid quarterly.

6.12 Payables

The balances included in the headings of "Payables arising out of direct insurance and coinsurance operations", "Payables arising out of reinsurance operations", "Tax payables" and "Other payables" do not accrue interest payable and are generally settled in the following financial year.

6.13 Pledged collateral with third parties

In 2010 and 2009, the Parent Company lodged letters of credit amounting to €14.07 million and €15.96 million, respectively, with official bodies, in order to guarantee its premium and outstanding claims reserves. Through these letters of credit, the Company pledged in the ceding companies' favour fixed-income securities included in the available-for-sale portfolio amounting to €193.63 million and €172.29 million in the 2010 and 2009 financial years, respectively.

6.14 Investment income and expenses

Details of investment income and expenses for the 2010 and 2009 financial years are shown below:

	INVESTMENT INCOME FROM:					
	OPERATIONS		EQUITY		TOTAL	
ITEM	2010	2009	2010	2009	2010	2009
INCOME FROM INTEREST, DIVIDENDS AND THE LIKE						
Investment property:	3,332	2,558			3,332	2,558
- Rents	3,332	2,558			3,332	2,558
Income from held-to-maturity portfolio		29		294		323
- Fixed-income securities						
- Other investments		29		294		323
Income from available-for-sale portfolio	73,350	62,894	7,573	9,311	80,923	72,205
Income from trading portfolio	87	594	582	312	669	906
Dividends from Group companies						
Other financial returns	12,043	16,741	196	418	12,239	17,159
TOTAL INCOME	**88,812**	**82,816**	**8,351**	**10,335**	**97,163**	**93,151**
REALISED AND UNREALISED GAINS						
Net realised gains:	28,699	31,747	2,056	4,081	30,755	35,828
Investment property						
Financial investments in held-to-maturity portfolio						
Financial investments in available-for-sale portfolio	28,699	31,747	1,992	4,081	30,691	35,828
Financial investments in trading portfolio			64		64	
Unrealised gains:			72		72	
Increase in fair value of trading portfolio						
Other			72		72	
TOTAL GAINS	**28,699**	**31,747**	**2,128**	**4,081**	**30,827**	**35,828**
TOTAL INCOME FROM INVESTMENTS	**117,511**	**114,563**	**10,479**	**14,416**	**127,990**	**128,979**

(FIGURES IN EUROS 000)

	INVESTMENT INCOME FROM:					
	OPERATIONS		EQUITY		TOTAL	
ITEM	2010	2009	2010	2009	2010	2009
FINANCIAL EXPENSES	**895**	**860**			**895**	**860**
Investment property	895	860			895	860
- Direct operating expenses						
- Other expenses						
Expenses from held-to-maturity portfolio						
- Fixed-income securities						
-Other investments	4,789	3,022	300	304	5,089	3,326
Expenses from available-for-sale portfolio						
Expenses from trading portfolio						
Other financial expenses	6,545	7,587	2,549	86	9,094	7,673
TOTAL EXPENSES	**12,229**	**11,469**	**2,849**	**390**	**15,078**	**11,859**
REALISED AND UNREALISED LOSSES						
Net realised losses:	12,675	32,648	722	771	13,397	33,419
Investment property						
Financial investments in held-to-maturity portfolio						
Financial investments in available-for-sale portfolio	12,675	32,648	672	739	13,347	33,387
Financial investments in trading portfolio						
Other			50	32	50	32
Unrealised losses:				42		42
Decrease in fair value of trading portfolio						
Other				42		42
TOTAL LOSSES	**12,675**	**32,648**	**722**	**813**	**13,397**	**33,461**
TOTAL EXPENSES FROM INVESTMENTS	**24,904**	**44,117**	**3,571**	**1,203**	**28,475**	**45,320**

(FIGURES IN EUROS 000)

6.15 Operating expenses

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

	REINSURANCE	
ITEM	2010	2009
I. Acquisition expenses	551,208	487,132
II. Administration expenses	11,095	13,246
III. Commission and participations in ceded and retroceded reinsurance	(138,677)	(115,164)
IV. Operating expenses from other activities		
TOTAL NET OPERATING EXPENSES	**423,626**	**385,214**

(FIGURES IN EUROS 000)

The details of personnel expenses and amortisation allowance expenses in the last two financial years are as follows:

ITEM	AMOUNT	
	2010	2009
Personnel expenses	21,451	23,046
Amortisation allowances	2,570	1,865
TOTAL	**24,021**	**24,911**

(FIGURES IN EUROS 000)

The table below gives a breakdown of amortisation allowances by operating segment (IFRS 8.23):

ITEM	AMOUNT	
	2010	2009
Reinsurance		
a) Life	765	162
b) Non-life	1,805	1,703
Other activities		
TOTAL	**2,570**	**1,865**

(FIGURES IN EUROS 000)

6.16 Result of ceded and retroceded reinsurance

The result of ceded and retroceded reinsurance operations in the 2010 and 2009 financial years is shown below:

ITEM	NON-LIFE		LIFE		TOTAL	
	2010	2009	2010	2009	2010	2009
Premiums (-)	(689,344)	(629,992)	(78,695)	(23,599)	(768,039)	(653,591)
Change in provisions for unearned premiums and unexpired risks	(7,364)	4,542	2,590	(1,011)	(4,774)	3,531
Claims paid (+) and change in claims provision	827,374	304,899	41,691	16,420	869,065	321,319
Change in mathematical reserve						
Change in other technical provisions						
Reinsurance share of commission and expenses (+)	113,449	111,625	25,228	3,539	138,677	115,164
Other						
RESULT OF CEDED AND RETROCEDED REINSURANCE	**244,115**	**(208,926)**	**(9,186)**	**(4,651)**	**234,929**	**(213,577)**

(FIGURES IN EUROS 000)

6.17 Tax status

A) TAX CONSOLIDATION REGIME

Since the 2002 financial year, MAPFRE RE has formed part of the companies included for the purposes of corporation tax in Tax Group No. 9/85, made up of MAPFRE S.A. and its subsidiaries that meet the requirements to avail themselves of the said tax regime.

B) COMPONENTS OF INCOME TAX EXPENSE AND RECONCILIATION OF ACCOUNTING RESULT WITH TAX ON CONTINUING OPERATIONS EXPENSE

The main components of the income tax on continuing operations expense and the reconciliation between the income tax expense and the product obtained from multiplying the accounting result by the applicable tax rate are detailed below for the financial years ended 31 December 2010 and 2009.

The Group performed the reconciliation by aggregating the reconciliations carried out separately using the national rates of each country (IAS 12.85).

ITEM	AMOUNT 2010 financial year	2009 financial year
Tax expense		
Result before taxes from continuing operations	173,466	158,932
30% of the result before taxes from continuing operations	(52,040)	(47,680)
Tax incentive for the financial year	2,986	2,675
Tax effect of permanent differences	(1,345)	(2,324)
Tax effect from tax rates different from 30%	1,137	909
Total current tax expense originating in the financial year	(49,262)	(46,420)
Current tax expense originating in prior years		
Previously unrecognised credits due to negative tax bases of prior periods, deductions still to be applied or temporary differences, use of negative tax bases, deductions still to be applied or temporary differences		
TOTAL TAX EXPENSE OF CONTINUING OPERATIONS	(49,262)	(46,420)
Income tax payable http://open.spotify.com/artist/43ZHCT0cAZBISjO8DG9PnE		
Retentions and interim payments	29,689	34,270
Temporary differences	(7,008)	(11,155)
Applied tax credits and incentives recorded in prior years		
Income tax on discontinued operations		
TOTAL PAYABLE OR RECEIVABLE	(26,581)	(23,305)

(FIGURES IN EUROS 000)

The amounts of current tax expenses or income correspond to amounts payable or recoverable from the Spanish tax authorities with respect to the tax result for the period.

The amounts of deferred expenses or income correspond to amounts payable or recoverable from the tax authorities.

The following tables provide a breakdown of movements for the 2010 and 2009 financial years of the "Deferred tax assets" heading, detailing their amount in relation to items directly debited or credited to the net equity in each financial year.

2010 Financial year

ITEMS	OPENING BALANCE	ADJUSTMENTS TO OPENING BALANCE	CHANGES IN PERIMETER	FROM: RESULTS	FROM: EQUITY	WRITE-OFFS	CLOSING BALANCE
— Difference in valuation of financial investments	620			(4,003)	29,799		26,416
— Embedded derivatives							
— Difference in valuation of mathematical reserves							
Through adaptation to new tables							
Through shadow accounting							
— Difference in valuation of funeral plan provisions							
— Capital increase and other amortisable expenses.							
— Tax credits due to negative tax bases	5	(5)					–
— Credits due to tax incentives							
— Supplementary pensions and other staff-related commitments							
— Provisions for outstanding premiums							
— Sales of property developments awaiting handover							
— Provisions for liabilities and other							
— Technical provision for claims							
— Other items	10,662			(4,206)			6,456
TOTAL DEFERRED TAXES ON ASSETS	11,287	(5)	–	(8,209)	29,799	–	32,872

(FIGURES IN EUROS 000)

2009 Financial year

ITEMS	OPENING BALANCE	ADJUSTMENTS TO OPENING BALANCE	CHANGES IN PERIMETER	FROM: RESULTS	FROM: EQUITY	WRITE-OFFS	CLOSING BALANCE
— Difference in valuation of financial investments	5,722				(5,102)		620
— Embedded derivatives							
— Difference in valuation of mathematical reserves							
Through adaptation to new tables							
Through shadow accounting							
— Difference in valuation of funeral plan provisions							
— Capital increase and other amortisable expenses.	138				(138)		
— Tax credits due to negative tax bases				5			5
— Credits due to tax incentives							
— Supplementary pensions and other staff-related commitments							
— Provisions for outstanding premiums							
— Sales of property developments awaiting handover							
— Provisions for liabilities and other							
— Technical provision for claims							
— Other items	10,164			924	(426)		10,662
TOTAL DEFERRED TAXES ON ASSETS	**16,024**	**–**	**–**	**929**	**(5,666)**	**–**	**11,287**

(FIGURES IN EUROS 000)

The way the "Other items" heading breaks down in the last two financial years is largely due to the following reasons:

2010 Financial year

- Foreign taxes	amounting to €5,532,000
- Deferred tax assets arising from pension commitments	amounting to €924,000

2009 Financial year

- Foreign taxes	amounting to €9,664,000
- Deferred tax assets arising from pension commitments	amounting to €792,000

The total amount of deferred tax assets of fully consolidated companies as a result of accumulated taxable temporary differences at 31 December 2010 and 31 December 2009 has been recorded in the balance sheets at those dates.

The Company considers that there will be future tax benefits against which the deferred tax assets recorded in 2010 and 2009 will be recoverable. This consideration is based on the projections made, based on past historical experience and prepared using reasonable assumptions which have been met in the past.

C) DEFERRED TAX LIABILITIES

The following tables show the movements in the deferred tax liabilities heading for the 2010 and 2009 financial years.

2010 Financial year

ITEM	OPENING BALANCE	ADJUSTMENTS TO OPENING BALANCE	CHANGES IN PERIMETER	FROM: RESULTS	FROM: EQUITY	WRITE-OFFS	CLOSING BALANCE
— Difference in valuation of financial investments	12,145	38		(9,207)	(101)		2,875
— Embedded derivatives							
— Equalisation and catastrophe provisions	18,042					(18,042)	–
— Portfolio acquisition expenses and other acquisition expenses							
— Other	1,840	58		(1,615)			283
TOTAL DEFERRED TAXES ON LIABILITIES	**32,027**	**96**	**–**	**(10,822)**	**(101)**	**(18,042)**	**3,158**

(FIGURES IN EUROS 000)

2009 Financial year

ITEM	OPENING BALANCE	ADJUSTMENTS TO OPENING BALANCE	CHANGES IN PERIMETER	FROM: RESULTS	FROM: EQUITY	WRITE-OFFS	CLOSING BALANCE
— Difference in valuation of financial investments	42				12,103		12,145
— Embedded derivatives							
— Equalisation and catastrophe provisions	19,709					(1,667)	18,042
— Portfolio acquisition expenses and other acquisition expenses							
— Other	12,051			1,298	(11,509)		1,840
TOTAL DEFERRED TAXES ON LIABILITIES	**31,802**	**–**	**–**	**1,298**	**594**	**(1,667)**	**32,027**

(FIGURES IN EUROS 000)

The balance under "Other" is largely due to the following reasons:

2010 Financial year

Deferred taxes arising from commitments to employees	amounting to €232,000

2009 Financial year

Elimination of losses on investments available for sale	amounting to €1,008,000
Elimination of exchange differences on monetary items	amounting to €129,000

The total amount of deferred tax liabilities of fully consolidated companies as a result of accumulated taxable temporary differences at 31 December 2010 and 31 December 2009 has been recorded in the balance sheets at those dates.

D) TAX INCENTIVES

The breakdown of the tax incentives of fully consolidated companies for the 2010 and 2009 financial years is as follows:

TYPE	FINANCIAL YEAR TO WHICH THEY RELATE	AMOUNT APPLIED IN FINANCIAL YEAR		AMOUNT AWAITING APPLICATION		UNRECORDED AMOUNT		DEADLINE FOR APPLICATION	
		2010	2009	2010	2009	2010	2009	2010	2009
- Investment allowance									
- Double taxation allowance		2,261	2,001						
- Job creation									
- Other		725	674						
TOTAL		**2,986**	**2,675**	–	–	–	–	–	

(FIGURES IN EUROS 000)

E) VERIFICATION BY THE TAX AUTHORITIES

According to the legislation applying to Spanish companies, declarations made in respect of the different taxes may not be considered definitive until they have been inspected by the tax authorities or until the four-year period of limitation has expired.

At 31 December 2010, the fully consolidated Spanish companies had the corporation tax for the financial years 2006 to 2010 open for inspection, as well as the rest of the taxes for the financial years 2006 to 2010.

In some of the Group companies, inspection operations were carried out and ended with notices of non-conformity being issued. These were appealed against at the close of both financial years, and resolution of those appeals is still pending. The Group's advisers think it highly unlikely that this will result in significant tax liabilities.

6.18 Employee benefits and associated liabilities

1. PERSONNEL EXPENSES

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

ITEM	AMOUNT 2010	AMOUNT 2009
a) Short-term employees benefits	20,334	21,580
a.1) Wages and salaries	15,677	16,605
a.2) Social security	2,856	2,616
a.3) Other employees benefits	1,801	2,359
b) Post-employment benefits	911	1,211
b.1) Defined-contribution commitments	911	936
b.2) Defined-benefit commitments	–	275
c) Termination benefits	205	255
d) Share-based payments	(55)	48
TOTAL	21,395	23,094

(FIGURES IN EUROS 000)

2. EXPENSES AND OTHER POST-EMPLOYMENT BENEFITS

A) Description of defined benefit plans in force

The defined-benefit plans in force, all implemented through insurance policies, are valued as per the details described in the accounting policies and are those in which the benefit is fixed on a final-salary basis, with benefit being paid in the form of a life annuity which is adjustable according to the annual consumer price index (CPI).

In the 2009 financial year, the majority of defined-benefit pension commitments were withdrawn, and schemes of this kind were wound up for all serving staff who had been granted entitlements of this type and were replaced by defined-contribution plans. In this winding-up process, those affected gave up the rights granted by the defined-benefit system, which were then extinguished, and the Companies exercised the right of redemption provided for in this case and compensated each interested party with a figure equivalent to the amount of the entitlements accumulated on the winding-up date.

B) Amounts recognised in the balance sheet

RECONCILIATION OF THE PRESENT VALUE OF THE OBLIGATION

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

ITEM	2010	2009
Present value of obligation at 1 January	465	8,253
Cost of services in the year under review	–	92
Interest cost	22	169
Contributions made by plan members	–	–
Actuarial losses and gains	2	(66)
Changes due to exchange rate variations	–	–
Benefits paid	(24)	(24)
Cost of past services	–	–
Other	(10)	(610)
Settlements	–	(7,349)
Present value of obligation at 31 December	455	465

(FIGURES IN EUROS 000)

The amount shown under "Settlements" in 2009 corresponds to the winding-up of the defined-benefit plan included in the opening paragraph of this note.

The table below details the reconciliation of the opening and closing balances of the assets allocated to the plan and the reimbursement rights in the last two financial years.

ITEM	2010	2009
Value of reimbursement rights and assets allocated to plan at 1 January	465	7.581
Expected return on assets allocated	22	171
Actuarial losses and gains	2	2
Changes due to exchange rate variations	–	–
Contributions made by the employer	–	104
Contributions made by plan members	–	–
Benefits paid	(24)	(24)
Other	(10)	(7)
Settlements		(7.362)
Value of reimbursement rights and assets allocated to plan at 31 December	455	465

(FIGURES IN EUROS 000)

The amount shown under "Settlements" in 2009 corresponds to the winding-up of the defined-benefit plan included 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 statements of the 2010 and 2009 financial years.

ITEM	2010	2009
Cost of services in the year under review		92
Interest cost	22	169
Expected return on assets allocated to the plan		–
Expected return on any reimbursement right recognised as an asset	(22)	(171)
Actuarial losses and gains		(68)
Cost of past services recognised in the year		–
Effect of any curtailment or settlement		–
Other items		–
TOTAL EXPENSE RECOGNISED IN THE INCOME STATEMENT	0	22

(FIGURES IN EUROS 000)

D) Returns

The expected rate of return is determined by the interest rate guaranteed on the affected insurance policies.

The actual return on assets under the plan and the investments allocated to coverage of the mathematical provisions, amounted in 2010 to €22,000 and €265,000 in 2009

E) Assumptions

The main actuarial assumptions used on the balance sheet date were as follows:

ITEM	2010	2009
DEMOGRAPHIC ASSUMPTIONS		
Mortality tables	GKM/F-95	–
Survival tables	PERMI/F-2000	PERMI/F-2000
FINANCIAL ASSUMPTIONS		
Discount rate	4.25%	4.07%
Average annual CPI	3%	3%
Average annual salary increase	–	–
Expected return from allocated assets / reimbursement right	4.25%	4.07%
Other assumptions		

F) Estimates

Based on the Group's headcount at 31 December 2010, there are not expected to be any contributions to defined-benefit plans for the 2011 financial year.

3. SHARE-BASED PAYMENTS

The Extraordinary General Meeting of MAPFRE S.A. held on 4 July 2007 approved the share-based incentive plan for MAPFRE GROUP senior management as detailed below:

— Formula: Each member is granted the right to receive in cash the amount obtained by multiplying the number of MAPFRE S.A. shares assigned in theory by the difference between the simple arithmetical mean of the closing share price during trading sessions in the 30 working days prior to the reporting date for the year and the simple arithmetical mean of the closing share price during trading sessions in the 30 working days immediately preceding the date of inclusion in the scheme. For the initial group of members, this reference has nevertheless been replaced with the closing share price on 31 December 2006, which was €3.42 per share.

— Exercise of the right: The right may be exercised to a maximum of 30% during the January of the seventh year. All rights granted must be exercised at the latest on the last day of the third period mentioned.

The number of reference shares taken into account for the purpose of calculating remuneration went up in 2010 to 219,298 shares, each with the aforementioned exercise price of €3.42 per share.

In order to obtain the fair value of the options granted, the binomial options pricing model was used, with the following parameters being taken into account:

— Risk-free interest rate: the zero-coupon rate obtained from the IRS (interest rate swap) curve for the Euro in the option's term to maturity.

— Dividend yield: that resulting from the dividends paid against the last financial year closed (2009) and the price at the close of the 2010 financial year.

— Underlying asset volatility: that resulting from the performance of the MAPFRE share price during the 2010 financial year.

Based on the above parameters, the remuneration system is measured and recognised in the income statement in the manner indicated in Note 5.13 to the consolidated financial statements. Personnel expenses recorded in the income statement under this heading amounted in 2010 and 2009 to €55,000 and €48,000, respectively, and the offsetting entry was recorded in a liability account.

4. NUMBER OF EMPLOYEES

The table below shows the average number of employees of the last two financial years, classified by categories and sex, and their distribution by geographical areas.

	MANAGEMENT 2010		ADMIN 2010		SALES 2010		OTHER 2010		TOTAL 2010	
ITEM	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
SPAIN	35	13	7	20	–	–	32	28	74	61
UNITED STATES OF AMERICA	2	4	–	4	–	–	1	2	3	10
BRAZIL	2	1	–	3	–	–	6	1	8	5
REST OF AMERICA	6	2	10	15	5	2	11	4	32	23
CHILE	4	1	4	6	–	–	5	2	13	9
EUROPE	7	1	3	11	1	1	11	7	22	20
PHILIPPINES	2	1	1	–	–	–	–	4	3	5
AVERAGE TOTAL NUMBER OF EMPLOYEES	**58**	**23**	**25**	**59**	**6**	**3**	**66**	**48**	**155**	**133**

	MANAGEMENT 2009		ADMIN 2009		SALES 2009		OTHER 2009		TOTAL 2009	
ITEM	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
SPAIN	35	12	13	37			22	4	70	54
UNITED STATES OF AMERICA	2	4		4			1	2	3	10
BRAZIL	2	1		3			4	1	6	5
REST OF AMERICA	7	2	6	13	5	2	16	6	34	23
CHILE	4	1	2	6			7	2	13	9
EUROPE	9	2	3	9	1	1	12	12	25	24
PHILIPPINES	1	1	0	0	0	0	1	4	2	5
AVERAGE TOTAL NUMBER OF EMPLOYEES	**60**	**23**	**24**	**72**	**6**	**3**	**63**	**31**	**153**	**130**

6.19 Net results of exchange differences

Positive exchange differences allocated to the consolidated income statement amounted to €318.4 million and €139.6 million in the 2010 and 2009 financial years, respectively.

Positive exchange differences allocated to the consolidated income statement amounted to €315.5 million and €144.27 million in the 2010 and 2009 financial years, respectively.

The reconciliation of the exchange differences recognised in equity at the beginning and end of 2010 and 2009 is shown below.

DESCRIPTION	AMOUNT 2010	AMOUNT 2009
Exchange differences at the beginning of the year	**22,471**	**6,033**
Net exchange difference on translation of financial statements	13,871	16,020
Net exchange differences on valuation of non-monetary items	1,594	418
EXCHANGE DIFFERENCES AT THE CLOSE OF THE YEAR	**37,936**	**22,471**

(FIGURES IN EUROS 000)

At 31 December 2010 and 2009, net exchange differences arising from the translation into Euros of the financial statements of Group companies not having the Euro as their functional currency were:

OF FULLY CONSOLIDATED COMPANIES

		TRANSLATION DIFFERENCES					
		POSITIVE		NEGATIVE		NET	
FULLY CONSOLIDATED COMPANIES	GEOGRAPHICAL AREA	2010	2009	2010	2009	2010	2009
INVERSIONES IBÉRICAS	CHILE	2,529	364			2,529	364
MAPFRE CHILE RE	CHILE	8,445	988			8,445	988
MAPFRE RE BRASIL	BRAZIL	4,383	137			4,383	137
RMI	UNITED STATES	1			(2)	1	(2)
MAPFRE RE	SPAIN	22,578	20,984			22,578	20,984
TOTAL		**37,936**	**22,473**	**–**	**(2)**	**37,936**	**22,471**

(FIGURES IN EUROS 000)

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

EXCHANGE DIFFERENCES RECORDED DIRECTLY IN EQUITY

		TRANSLATION DIFFERENCES					
		POSITIVE		NEGATIVE		NET	
COMPANY	GEOGRAPHICAL AREA	2010	2009	2010	2009	2010	2009
MAPFRE RE	SPAIN	373			(339)	373	(339)
TOTAL		**373**	**–**	**–**	**(339)**	**373**	**(339)**

(FIGURES IN EUROS 000)

6.20 Contingent assets and liabilities

On the closing date of the annual accounts, there were contingent assets arising from the positive development of business transacted by Mapfre Reinsurance Corporation (MRC), the financial effect of which was estimated at US$ 1,93 million. The contract for the sale of this company to Mapfre USA contemplates a price adjustment after three years, extended to four years in July 2010, depending on MRC business performance. If applicable, this adjustment would have a ceiling of US $3 million.

6.21 Transactions with related parties

All transactions with related parties were carried out at market conditions.

TRANSACTIONS WITH GROUP COMPANIES

Below are details of transactions carried out between Group companies; these have a null effect on the results, as they are eliminated in the consolidation process.

	EXPENSES		INCOME	
ITEM	2010	2009	2010	2009
Services received/provided and other expenses/income	1,473	7,774	1,231	
Expenses/income from investment property				
Expenses/income from investments and financial accounts	1	62	242	621
Dividends paid out			5,904	910
TOTAL	**1,474**	**7,836**	**7,377**	**1,531**

(FIGURES IN EUROS 000)

Details of the amounts included in the consolidated income statement as a result of transactions effected during the financial year with higher consolidatable groups are given below:

	EXPENSES	
ITEM	2010	2009
Expenses and income from investment property	–	–
Expenses and income from investments and financial accounts	–	–
External services and other non-underwriting expenses/income	3,524	4,681
Dividends paid out	–	–
TOTAL	**3,524**	**4,681**

(FIGURES IN EUROS 000)

REINSURANCE OPERATIONS

Reinsurance and coinsurance operations carried out between companies of the consolidatable Group and eliminated in the consolidation process are shown below:

	EXPENSES		INCOME	
ITEM	2010	2009	2010	2009
Premiums ceded/accepted	50,640	23,317	(51,083)	(22,581)
Claims	16,108	5,125	(15,537)	(5,461)
Change in technical provisions	9,310	7,071	(8,974)	(7,419)
Commission				
Other income and underwriting expenses	(14,129)	(6,081)	14,023	1,148
TOTAL	**61,929**	**29,432**	**61,571**	**(34,313)**

(FIGURES IN EUROS 000)

Reinsurance operations with the higher consolidated Group (MAPFRE S.A.) are detailed below:

	Income/Expenses			
	ASSUMED REINSURANCE		CEDED REINSURANCE	
ITEM	2010	2009	2010	2009
Premiums	869,385	710,496	(49,921)	(49,800)
Claims	(586,697)	(425,983)	20,338	32,949
Commission	(201,574)	(164,357)	8,806	6,362
TOTAL	**81,114**	**120,156**	**(20,777)**	**(10,489)**

(FIGURES IN EUROS 000)

The following table gives details of the balances with reinsurers and ceding companies, deposits established and technical provisions arising from reinsurance operations with companies of the consolidated Group that have been eliminated in the course of consolidation, as well as with MAPFRE S.A.'s consolidated group:

	Balances eliminated				Balances not eliminated			
	ASSUMED REINSURANCE		CEDED REINSURANCE		ASSUMED REINSURANCE		CEDED REINSURANCE	
ITEM	2010	2009	2010	2009	2010	2009	2010	2009
Receivables and payables	(187)	(81)	–	–	65,381	51,898	(5,105)	(5,131)
Deposits	(1,423)	(1,600)	1,424	1,603	112,883	140,934	(4,438)	(8,843)
Technical provisions	22,979	14,184	(25,610)	(14,806)	(929,536)	(592,486)	32,710	30,625
TOTAL	**21,369**	**12,503**	**(24,186)**	**13,203**	**(751,272)**	**(399,654)**	**23,167**	**16,651**

(FIGURES IN EUROS 000)

REMUNERATION OF KEY MANAGEMENT PERSONNEL

The table below shows the remuneration received in the last two financial years by key management personnel (understood to be the members of the Board of Directors, the Executive Committee and the Delegated Committees of the Parent Company:

	AMOUNT	
CONCEPTO	2010	2009
Short-term benefits		
Salaries	420,51	362,86
Fixed allowances	200,12	215,86
Attendance fees	44,63	59,30
Life insurance	17,38	18,59
Other items	13,18	9,39
Post-employment benefits		
Defined contribution	155,94	63,78
Share-based payments	(55,18)	48,33
TOTAL	**795,68**	**778,11**

(FIGURES IN EUROS 000)

The basic remuneration of outside directors consists of a fixed annual allowance for belonging to the Board of Directors, amounting to €26,982 in 2010 and 2009.

They also benefit from term life insurance with a sum insured of €150,253 and enjoy some of the benefits extended to staff, such as health insurance.

Outside directors who are members of Committees or Delegated Committees also receive an allowance for attending meetings, amounting to €2,975 in 2010 and 2009.

Executive directors receive the remuneration laid down in their contracts, including a fixed salary, variable performance-related bonuses, life and disability insurance and other benefits generally established for the entity's staff; there are also supplementary retirement pensions which are externalised through a life insurance policy, provided through defined-contribution plans, all in line with the remuneration policy established by the Group for its senior management, whether or not they are directors. Executive directors do not receive the remuneration established for outside directors.

GRANTS

In 2010, the Company received a government grant for preferential contracts (Social Security) and on-the-job training (Tripartite Foundation), all of which was allocated to the results for the financial year.

	GRANT	GRANT
ITEM	2010	2009
At 1 January		
Received during the year	53	15
Transferred to profits	53	15
At 31 December		

(FIGURES IN EUROS 000)

All the conditions and contingencies associated with these grants have been fulfilled.

7. Risk Management

Risk management objectives, policies and processes

MAPFRE has a Risk Management System (RMS) based on the integrated management of each and every one of the business processes, and on matching the level of risk to the strategic objectives set. The different types of risk have been grouped into four areas or categories, as detailed below:

• Operational risks	• Includes twenty-three types of risks grouped in the following areas: actuarial, legal, technology, personnel, collaborators, procedures, reporting, fraud, market and tangible assets.
• Financial risks	• Includes interest rate, liquidity, exchange rate, market and credit risks.
• Insurance activity risks	• Includes separately Life and Non-Life, risks arising from inadequacy of premiums, adequacy of technical provisions and reinsurance.
• Strategic and corporate governance risks	• Includes corporate ethics and good corporate governance risks, organisational structure risks; risks of alliances, mergers and acquisition arising from the regulatory environment; and finally competition risks.

Centralisation of the Risk Management System

MAPFRE's structure is based on Operating Companies and Units having a high degree of autonomy in their management. The Group's governance and management bodies approve the lines of action of the Units and Companies as regards risk management, and permanently monitor their risk exposure by means of indicators and ratios. In addition, there are general action guidelines for mitigating risk exposure, such as maximum levels of investment in equities or the credit rating of reinsurers.

Through Risk Management, the Financial Area coordinates activities relating to the quantification of risks and, in particular, implementation of the Company's own financial capital models in the operating units and quantitative impact analyses of the future Solvency II regulations. Operating Units have a Risk Coordinator, reporting to Administration Management, for implementing policies and managing risks in each unit. The coordination of activities for implementing risk quantification models is carried out through the Risks and Solvency II Committee. The degree of progress of projects and other significant aspects are reported to MAPFRE's top management through the Audit Committee.

Generally speaking, underwriting decisions in respect of insurable risks and reinsurance covers are highly decentralised in the Units. Aspects relating to the operational risk are supervised centrally, although their implementation and monitoring are delegated to the Units. The management of strategic and corporate governance risks is highly centralised. Financial risks are managed centrally through the Group's Investment Area.

Risk and capital assessment

MAPFRE has an internal capitalisation and dividend policy aimed at rationally and objectively providing the Units with the capital required to meet the risks assumed. Risk assessment is carried out using a standard fixed-factor model which quantifies financial risks, credit risks and insurance activity risks. Also, the level of capital allocated to each Unit will never be less than the legal minimum required at any time, plus a margin of 10%.

The capital allocated is determined approximately on the basis of the budgets for the following year and is periodically revised throughout the year, depending on how the risks develop.

Certain Units require a higher capitalisation level than that obtained from the general rule described above, either because they operate in different countries with different legal requirements, or because they are subject to more demanding solvency requirements because of their rating. In those cases, MAPFRE's Management Committee determines the capitalisation level on a case-by-case basis.

Operational risks

Operational risks are identified and assessed using Riskm@p, a software application developed in house at MAPFRE, which allows to prepare the entities' risk maps in which the importance and probability of occurrence of various risks are analysed.

Riskm@p is also becoming established as the corporate tool for dealing with control activities (process manuals, lists of controls associated with risks, and assessment of their effectiveness).

The operational risk management model is based on the dynamic analysis of unit processes, so that the managers of each area or department identify and assess annually the potential risks affecting both the business processes and the support processes: product development, underwriting, claims/benefits, administrative management, commercial activities, human resources, commission, coinsurance/reinsurance, technical provisions, investments, IT systems and customer service.

Financial risks

MAPFRE mitigates its exposure to risks of this type through a prudent investment policy, its portfolio being heavily weighted in top-quality fixed-income securities.

In the management of investment portfolios, there are those that seek to unite the liabilities arising from insurance contracts and those in which an active management is performed. In the former, the interest rate risks and other price change risks are minimised, while the second assumes a certain degree of market risk, in accordance with the following:

— In portfolios that do not cover long-term liability commitments, the interest rate risk management variable is modified duration, currently being established that such amount shall be between 3 per 100 and 7 per 100.

— Exposure to exchange rate risk is minimized in the case of liability insurance and may allow exposure to this type of risk not exceeding a fixed percentage on the excess of assets eligible for coverage.

— Equity investments are subject to a maximum limit of the investment portfolio and to concentration limits by country and sector.

— Risk limitations are established in quantitative terms measured based on easily observable variables.

— However, a risk analysis in probabilistic terms is also performed based on historical volatilities and correlations.

As regards the credit risk, MAPFRE's policy is based on maintaining a diversified portfolio made up of securities that have been precisely selected on the basis of the issuer's financial standing. Investments in fixed-income securities and equities are subject to concentration limits per issuer.

Insurance activity risks

MAPFRE's organisation, based on Units and Companies specialised in various types of business, requires those Units and Companies to be granted a degree of autonomy in managing their business, particularly when it comes to underwriting risks and setting rates, and also indemnifying losses or providing services in the event of claims.

The adequacy of the premiums is an item of particular importance and their determination is supported by specific software applications.

Claims handling and the adequacy of provisions are basic principles of insurance management. Technical provisions are estimated by the actuarial teams of the various Units and Companies and in certain cases are also subject to review by independent experts. The preponderance of personal lines casualty business at MAPFRE, with claims being settled very quickly, and also 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 at high risk of natural disasters (earthquakes, hurricanes, etc.) requires these types of risks to be given special treatment. The Units and Companies exposed to risks of this type – essentially MAPFRE AMÉRICA, MAPFRE INTERNACIONAL and MAPFRE RE – have specialist reports on catastrophe exposure, generally prepared by independent experts, which estimate the extent of losses in the event of a disaster. Catastrophe risks are written on the basis of this information and of the financial capital that the company writing them has at its disposal. Any equity exposure to risks of this type is mitigated by arranging specific reinsurance covers. In this connection, it is important to highlight the contribution of MAPFRE RE, which brings its extensive experience of the catastrophe risk market to the Group's management.

In relation to reinsurance risk, MAPFRE's policy is to assign business to reinsurers of proven financial capacity (Standard & Poor's financial strength rating not lower than A).

Strategic and corporate governance risks

The ethical principles applied to corporate management have been a constant feature at MAPFRE and form part of its Articles of Association and its daily routine. In order to standardise this corporate culture and adapt it to the legal requirements on corporate governance and management transparency, in 2008 MAPFRE's management boards approved a revised version of the Good Governance Code, which had been in force since 1999. MAPFRE considers the strict application of the principles of good corporate governance to be the most effective way of mitigating risks of this type.

A) Insurance risk

1. SENSITIVITY TO INSURANCE RISK

This analysis measures the effect on capital of upward and downward fluctuations of the conditioning factors for the insurance risk (number of risks insured, value of average premium, claims frequency and cost). One measure of sensitivity to the non-life insurance risk is the effect that a change of one percentage point in the combined ratio would have on the results for the year and, consequently, on equity.

The table below shows this effect, together with the volatility index of the said combined ratio, calculated on the basis of its standard deviation in a five-year time horizon.

	IMPACT ON RESULTS OF A 1% CHANGE IN THE COMBINED RATIO		VOLATILITY INDEX OF THE COMBINED RATIO	
ITEM	2010	2009	2010	2009
Main activity outside Spain				
- Reinsurance	9,088	8,194	1.6	2.9

(FIGURES IN EUROS 000)

2. CONCENTRATIONS OF INSURANCE RISK

MAPFRE has a high degree of diversification of its insurance risk, as it operates in practically all classes of insurance in Spain and has a wide presence in international markets.

The Group uses a system of procedures and limits which allow it to control the level of concentration of the insurance risk.

It is usual practice to use reinsurance contracts as a way of mitigating the insurance risk arising from concentrations or accumulations of covers exceeding the maximum acceptance levels.

2.a) Premium income by risks
The following tables give a breakdown of premiums written for assumed reinsurance, classified according to the type of business written in the last two financial years:

2010 Financial year

ITEM	ASSUMED (INWARD) REINSURANCE			
	LIFE	NON-LIFE		TOTAL
		CATASTROPHE RISK	OTHER RISKS	
Written premium from assumed reinsurance	284,769	416,634	1,670,216	2,371,619

(FIGURES IN EUROS 000)

2009 Financial year

ITEM	ASSUMED (INWARD) REINSURANCE			
	LIFE	NON-LIFE		TOTAL
		CATASTROPHE RISK	OTHER RISKS	
Written premium from assumed reinsurance	175,930	336,354	1,541,417	2,053,701

(FIGURES IN EUROS 000)

2.b) Premium income by operating segments and geographical areas

The following tables give a breakdown of premiums written for assumed reinsurance by operating segment and geographical area in the last two financial years:

2010 Financial year

GEOGRAPHICAL AREA	REINSURANCE LIFE	REINSURANCE NON-LIFE	TOTAL
SPAIN	104,698	427,480	532,178
UNITED STATES OF AMERICA	6,324	139,503	145,827
BRAZIL	5,524	98,255	103,779
MEXICO	12,487	117,361	129,848
VENEZUELA	5,465	86,622	92,087
COLOMBIA	11,987	74,789	86,776
ARGENTINA	5,976	51,428	57,404
TURKEY	812	54,832	55,644
CHILE	20,017	91,158	111,175
OTHER COUNTRIES	111,479	945,422	1,056,901
TOTAL	**284,769**	**2,086,850**	**2,371,619**

(FIGURES IN EUROS 000)

2009 Financial year

GEOGRAPHICAL AREA	REINSURANCE LIFE	REINSURANCE NON-LIFE	TOTAL
SPAIN	39,359	458,495	497,854
UNITED STATES OF AMERICA	5,188	123,534	128,722
BRAZIL	3,515	80,327	83,842
MEXICO	12,798	76,013	88,811
VENEZUELA	8,865	102,703	111,568
COLOMBIA	11,809	60,079	71,888
ARGENTINA	3,026	41,243	44,269
TURKEY	565	54,631	55,196
CHILE	7,596	74,005	81,601
OTHER COUNTRIES	83,209	806,741	889,950
TOTAL	**175,930**	**1,877,771**	**2,053,701**

(FIGURES IN EUROS 000)

2.c) Premium income by currency

The following table shows the breakdown by currency of the reinsurance premiums written for the last two years:

CURRENCY	WRITTEN PREMIUM 2010	WRITTEN PREMIUM 2009
Euro	943,190	878,728
US Dollar	545,885	450,081
Mexican Peso	84,386	54,394
Brazilian Real	86,755	79,176
Turkish Lira	97,210	50,983
Chilean Peso	63,692	71,147
Venezuelan Bolívar	32,272	96,178
Argentinian Peso	81,307	25,410
Colombian Peso	38,881	67,158
Pound Sterling	20,528	36,076
Canadian Dollar	7,394	13,342
Philippine Peso	52,297	5,270
Other currencies	317,822	225,758
TOTAL	**2,371,619**	**2,053,701**

(FIGURES IN EUROS 000)

B) Credit risk

1. CREDIT RISK ARISING FROM REINSURANCE CONTRACTS

The following table gives a breakdown of credits vis-à-vis reinsurers in the last two financial years:

	BOOK VALUE OF COMPANIES					
	GROUP		NON-GROUP		TOTAL	
ITEM	2010	2009	2010	2009	2010	2009
Provision for life insurance		20	11,374	9,206	11,374	9,226
Provision for outstanding claims	9,916	10,099	596,025	232,782	605,941	242,881
Receivables from ceded and retroceded reinsurance operations	831	845	27,828	25,786	28,659	26,631
Payables arising out of ceded and retroceded reinsurance operations	(7,123)	(6,051)	(36,937)	(21,993)	(44,060)	(28,044)
TOTAL NET POSITION	**3,624**	**4,913**	**598,290**	**245,781**	**601,914**	**250,694**

(FIGURES IN EUROS 000)

The following table gives a breakdown of credits vis-à-vis reinsurers based on level of financial soundness:

	BOOK VALUE					
	COMPANIES					
	GROUP		NON-GROUP		TOTAL	
REINSURERS' CREDIT RATING	2010	2009	2010	2009	2010	2009
AAA			399	1,127	399	1,127
AA	3,496	4,913	329,313	165,608	332,809	170,521
A	128		223,924	73,036	224,052	73,036
BBB			6,317	5,441	6,317	5,441
BB O MENOR			82	33	82	33
SIN CALIFICACIÓN			38,255	536	38,255	536
TOTAL	**3,624**	**4,913**	**598,290**	**245,781**	**601,914**	**250,694**

(FIGURES IN EUROS 000)

There are currently no fixed-income securities in default for the years 2010 and 2009.

2. CREDIT RISKS ARISING OUT OTHER FINANCIAL INSTRUMENTS

Below is a breakdown of the fixed-income-securities portfolio and liquid assets based on the credit ratings of issuers of fixed-income securities and financial institutions for the last two financial years:

	BOOK VALUE							
	HELD-TO-MATURITY PORTFOLIO		AVAILABLE-FOR-SALE PORTFOLIO		TRADING PORTFOLIO		LIQUID ASSETS	
ISSUERS' CREDIT RATING	2010	2009	2010	2009	2010	2009	2010	2009
AAA			359,003	817,109			243	
AA			927,632	476,936			27,379	13,239
A			414,818	451,107	27,936	8,973	94,509	27,155
BBB			125,387	32,323			1,469	4
BB or lower			22,013	10			4,700	1,216
No credit rating			433	4,308				24,165
TOTAL	**–**	**–**	**1,849,286**	**1,781,793**	**27,936**	**8,973**	**128,300**	**65,779**

(FIGURES IN EUROS 000)

3 LOANS AND RECEIVABLES

The following table shows the breakdown of receivables as at 31 December 2010 and 2009; it also shows recorded impairment losses and gains from impairment reversals, and the amount of collateral held in the last two financial years:

			IMPAIRMENT					
	NET BALANCE IN THE BALANCE SHEET		RECORDED LOSSES		GAINS ON REVERSAL		COLLATERAL HELD	
ITEM	2010	2009	2010	2009	2010	2009	2010	2009
I. Payables arising out of reinsurance operations	227,973	210,953		(313)	124			
II. Tax credits	12,112	3,275						
III. Corporate and other loans	4,924	3,351						
TOTAL	**245,009**	**217,579**	**–**	**(313)**	**124**	**–**	**–**	**–**

(FIGURES IN EUROS 000)

C) Liquidity risk

As regards the liquidity risk, MAPFRE's policy has been based on maintaining cash balances sufficient to cover any eventuality arising from its obligations vis-à-vis insureds and creditors. Thus, at 31 December 2010, the cash and other liquid assets balance amounted to €128.3 million (€65.8 million in the previous year), equivalent to 5.84% of total financial investments and cash. On the other hand, as regards life and savings insurance, the investment policy preferably applied consists of matching the maturities of investments with obligations entered into under insurance contracts, in order to mitigate exposure to risk. In addition, most fixed-income investments enjoy high credit ratings and are tradable in organised markets, providing considerable scope for action in the face of potential liquidity strains.

Assets with maturities in excess of one year are detailed in the "Interest rate risk" section.

1. LIQUIDITY RISK ARISING FROM INSURANCE CONTRACTS

Details of the estimated timetable of maturities of insurance liabilities recorded as at 31 December 2010 and 2009 are given below:

2010 Financial year

	ESTIMATED CASH OUTFLOWS IN YEARS							
ITEM	1st year	2nd year	3rd year	4th year	5th year	6th to 10th years	SUBSEQUENT YEARS	CLOSING BALANCE
Provision for unearned premiums	920,768	126,471	34,948	21,825	15,923	33,729	10,447	1,164,111
Unexpired risks	293							293
Provision for life insurance	76,928	11,137	5,723	3,497	3,799	25,562	52,070	178,716
Provision for outstanding claims	879,480	303,125	99,750	42,508	33,579	121,039	43,476	1,522,957
Other technical provisions								
Payables arising out of reinsurance operations	148,604							148,604
TOTAL	**2,026,073**	**440,733**	**140,421**	**67,830**	**53,301**	**180,330**	**105,993**	**3,014,681**

(FIGURES IN EUROS 000)

2009 Financial year

	ESTIMATED CASH OUTFLOWS IN YEARS							
ITEM	1st year	2nd year	3rd year	4th year	5th year	6th to 10th years	SUBSEQUENT YEARS	CLOSING BALANCE
Provision for unearned premiums/unexpired risks	858,722	102,234	30,927	20,728	15,225	32,833	7,750	1,068,419
Provision for life insurance	51,654	7,725	3,968	2,394	2,662	19,837	49,028	137,268
Provision for outstanding claims	587,325	203,206	68,619	28,828	24,128	92,099	27,877	1,032,082
Other technical provisions								
Payables arising out of reinsurance operations	124,015							124,015
TOTAL	**1,621,716**	**313,165**	**103,514**	**51,950**	**42,015**	**144,769**	**84,655**	**2,361,784**

(FIGURES IN EUROS 000)

D) Market risk

MAPFRE's General Investment Authority regularly carries out different sensitivity analyses of the value of the investment portfolio regarding market risk. Among the most usual indicators are the modified duration, for fixed-income securities, and the VaR (Value at Risk) for equities.

INTEREST RATE RISK

The table below contains significant information for the last two financial years on the extent to which financial assets and liabilities are exposed to the interest rate risk:

	AMOUNT OF ASSETS EXPOSED TO FAIR-VALUE INTEREST RATE RISK							
	FIXED INTEREST RATE		VARIABLE INTEREST RATE		NOT EXPOSED TO RISK		TOTAL	
PORTFOLIO	2010	2009	2010	2009	2010	2009	2010	2009
Held to maturity								
Available for sale	1,730,952	1,605,377	188,416	117,126	106,698	158,518	2,026,066	1,881,021
Trading			30,888	12,773	12,376	16,593	43,264	29,366
Other investments	70,111	106,336					70,111	106,336
TOTAL	**1,801,063**	**1,711,713**	**219,304**	**129,899**	**119,074**	**175,111**	**2,139,441**	**2,016,723**

(FIGURES IN EUROS 000)

The following tables show the breakdown of financial investments by maturity, average interest rate and modified duration for the 2010 and 2009 financial years:

31 December 2010

ITEM	CLOSING BALANCE	MATURITY IN: 1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	Subsequent years or no fixed maturity	Interest rate %	Modified duration %
AVAILABLE-FOR-SALE PORTFOLIO									
Fixed-income securities	1,849,286	196,858	253,606	232,033	262,781	185,125	718,883	4,86%	5,03%
Other investments	176,780	176,780						3,95%	0
TOTAL AVAILABLE-FOR-SALE PORTFOLIO	**2,026,066**	**373,638**	**253,606**	**232,033**	**262,781**	**185,125**	**718,883**		
TRADING PORTFOLIO									
Other	43,264	43,264						1	
TOTAL TRADING PORTFOLIO	**43,264**	**43,264**	–	–	–	–	–		

(FIGURES IN EUROS 000)

31 December 2009

ITEM	CLOSING BALANCE	MATURITY IN: 1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	Subsequent years or no fixed maturity	Interest rate %	Modified duration %
AVAILABLE-FOR-SALE PORTFOLIO									
Fixed-income securities	1.722.503	189.310	175.662	264.072	170.006	337.447	586.006	6,89%	5,63%
Other investments	158.518	158.518						(19,55%)	
TOTAL AVAILABLE-FOR-SALE PORTFOLIO	**1.881.021**	**347.828**	**175.662**	**264.072**	**170.006**	**337.447**	**586.006**		
TRADING PORTFOLIO									
Other	29.366	29.366						1,72%	
TOTAL TRADING PORTFOLIO	**29.366**	**29.366**	–	–	–	–	–		

(FIGURES IN EUROS 000)

The modified duration reflects the sensitivity of the assets' value to movements in interest rates and represents an approximation of the percentage change that the value of the financial assets would experience with each percentage-point change (100 basis points) in interest rates.

The amounts included under the heading "Loans" of the balance sheet assets and in the accounts of "Due on direct insurance and coinsurance", "Tax payable" and "Other liabilities" of the balance sheet liabilities do not accrue interest, and in general they are settled in the following year.

EXCHANGE RATE RISK

The following table gives a breakdown of assets and liabilities, paying attention to the currencies in which they were denominated at the close of the last two financial years.

	ASSETS		LIABILITIES		NET TOTAL	
CURRENCY	2010	2009	2010	2009	2010	2009
Euro	2,505,785	2,437,247	1,621,195	1,614,189	884,590	823,058
US Dollar	530,028	428,337	458,280	347,395	71,748	80,942
Mexican Peso	25,925	18,671	50,186	40,241	(24,261)	(21,570)
Brazilian Real	221,841	133,247	189,963	105,815	31,878	27,432
Turkish Lira	21,071	20,851	39,257	36,502	(18,186)	(15,651)
Chilean Peso	366,273	138,403	325,565	115,477	40,708	22,926
Venezuelan Bolivar	13,698	23,299	21,600	29,998	(7,902)	(6,699)
Argentinian Peso	5,537	3,953	19,192	14,275	(13,655)	(10,322)
Colombian Peso	24,650	22,349	75,828	58,647	(51,178)	(36,298)
Pound Sterling	52,821	42,885	38,213	30,816	14,608	12,069
Canadian Dollar	34,858	34,493	16,954	14,189	17,904	20,304
Philippine Peso	4,081	2,598	8,803	6,476	(4,722)	(3,878)
Other currencies	281,366	169,683	374,485	222,264	(93,119)	(52,581)
TOTAL	**4,087,934**	**3,476,016**	**3,239,521**	**2,636,284**	**848,413**	**839,732**

(FIGURES IN EUROS 000)

The Group's equity sensitivity to changes in exchange rates against the Euro of the currencies in which assets are denominated, is determined by the total net amount reported in the table above, less the amount of non-monetary items. Similarly, the effect on the Group's future profits from these changes in exchange rates is determined by the volume of profits obtained in each currency. The result obtained by each of the Group's companies and the country in which they locate their operations is broken down in Annex 1.

STOCK-MARKET RISK

The following table shows the book value of equity securities and investment funds exposed to the stock-market risk and the VaR or value at risk (maximum variation expected over a one-year time horizon and for a confidence level of 99%) for the last two financial years:

	BOOK VALUE		VAR	
PORTFOLIO	2010	2009	2010	2009
Available for sale	109,844	99,228	32	51.599
Trading	11,850	10,890	0	
TOTAL	**121,694**	**110,118**	**32**	**51,599**

(FIGURES IN EUROS 000)

PROPERTY RISK

In its consolidated group, MAPFRE RE has property assets representing approximately 2.7% of total investments and cash, of which approximately 1.4% is used for the Company's own offices. These assets fulfil the dual function of supporting administration and sales, as well as generating financial income and diversifying investments. The breakdown of these property assets is shown in the following table:

	NET BOOK VALUE		MARKET VALUE	
ITEM	2010	2009	2010	2009
Investment property	34,685	30,881	36,594	32,645
Own-use property	36,488	35,355	56,327	54,311
TOTAL	**71,173**	**66,236**	**92,921**	**86,956**

(FIGURES IN EUROS 000)

INTRODUCTION OF OWN CAPITAL MODELS

In 2005, MAPFRE RE introduced its own capital model which uses a stochastic process to determine the level of solvency required, based on the risks it has assumed.

This model forms part of an overall project to introduce stochastic models throughout the MAPFRE Group in order to comply with the future Solvency II European regulations. The project is being piloted with a view to its subsequent extension to the rest of the 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 particular features of the premium portfolio and the mix of the company's investments and other assets. The scenarios are obtained by combining various financial and reinsurance business assumptions. The resulting data is used to determine the probability distribution of results and the financial capital required to ensure the entity's solvency with a confidence interval of 99.6%, based on a time horizon of one year. Interim results obtained confirm the entity's excellent level of capitalisation and are currently being compared with other methods of assessing solvency levels.

8. Other information

Other information relating to the Management Board

During the year, the directors of the Parent Company have not made any transaction with the Company itself nor with any other company of the Group outside the ordinary business of the companies or outside normal market conditions.

The directors of the Parent Company holding a current post at the closure of the financial year had no shares in the capital of companies with similar or complementary activity to the same, nor have they been self-employed or employed with an activity that is similar or complementary to the objects of the Group companies, except as detailed below.

Director	Company	Number of shares / stocks	Office / Position
Mr Ricardo Blanco	Ing, Groep	45,387	—
	Axa	8,807	—
	Allianz Ag.	5,610	—
Mr Pedro José de Macedo	Santander	4,557	—
	Munchener Rueck	225	—
Mr Philippe Hebeisen	Vaudoise Assurances	48	CEO
	Zurich Financial Services	10	—
Mr David Moore	Shelter Insurance Companies, USA	—	President & Chief Executive Officer
Mr Domingo Sugranyes	Cattolica Assicurazioni	105	Director
Mr Ermanno Rho	Il Duomo Assicurazioni e Riassicurazioni S.p.A.	—	Chairman
	Intermonte SIM S.p.A.	—	Vice-Chairman
	NorVega SGR. S.p.A..	—	Consigliere e presidente
	Vegagest Sgr S.p.A.	—	Chairman
	Finanziaria 27 S.p.A.	—	Consigliere
	Compagnia Lombardo Veneta Di Finanza e Investimenti S.r.L.	—	—
	Vegagest Immobiliare SGR	—	Chairman
	Jakala S.p.A.	—	Sindacao
	Associazione La San Vicenzo Onlus	—	Chairman
	Fondazione A. e T.- Cassoni	—	Consigliere
	Fondazione San Carlo	—	Consigliere
	Fondazione Arte e Civiltà	—	Consigliere
Mr Pedro López	BBVA	182	—
	SCH	245	—
Mr Michael H. Tripp	Ecclesiastical Insurance Office Plc.	—	Group Chief Executive

The following table details the shares in MAPFRE S.A. held by the Parent Company's directors at 31 December 2010, as well as the management boards of MAPFRE GROUP entities of which they were members on that date.

	MAPFRE GROUP	
DIRECTOR	**Entities in which they form part of the Management Board**	**Number of shares in MAPFRE S.A.**
Mr Andrés Jiménez	MAPFRE S.A.; MAPFRE AMERICA; MAPFRE INTERNACIONAL; MAPFRE FAMILIAR; THE COMMERCE GROUP, INC; MAPFRE GLOBAL RISKS.	23,973
Mr Ángel Alonso	MAPFRE AMERICA; MAPFRE SEGUROS DE EMPRESAS	43,240
Mr Ricardo Blanco	MAPFRE SEGUROS DE EMPRESAS; MAPFRE CAUCIÓN Y CRÉDITO; MAPFRE INTERNACIONAL.	—
Mr Pedro José de Macedo	MAPFRE GLOBAL RISKS; MAPFRE ASISTENCIA; MAPFRE SEGUROS GERAIS; MAPFRE ASISTENCIA; ASEGURADORES DE RIESGOS NUCLEARES.	8.508
Mediación y Diagnósticos, S.A.	MAPFRE AMERICA; MAPFRE-CAJA MADRID VIDA; MAPFRE FAMILIAR; MAPFRE SEGUROS DE EMPRESAS; MAPFRE QUAVITAE; MAPFRE INTERNACIONAL.	—
Mr Juan Antonio Pardo	MAPFRE ASISTENCIA	31,477
Participaciones y Cartera de Inversión, S.L.	MAPFRE ASISTENCIA; MAPFRE-CAJA MADRID VIDA; MAPFRE SEGUROS DE EMPRESAS; MAPFRE FAMILIAR; MAPFRE INMUEBLES; MAPFRE QUAVITAE; MAPFRE VIDA.	—
Mr Claudio Ramos	MAPFRE SEGUROS GERAIS; MAPFRE INTERNACIONAL	9,200
Mr Gregorio Robles	MAPFRE INTERNACIONAL	—
Mr Francisco Ruiz	MAPFRE, S.A.; MAPFRE VIDA; MAPFRE FAMILIAR; CCM VIDA Y PENSIONES	73
Mr Matías Salvá	MAPFRE S.A.; MAPFRE FAMILIAR, S.A.; MAPFRE GLOBAL RISKS.	718,144
Mr Domingo Sugranyes	MAPFRE INTERNACIONAL; MAPFRE FAMILIAR; THE COMMERCE GROUP.	56,596
Mr Javier Fernández-Cid	MAPFRE INTERNACIONAL, S.A.; MAPFRE ASISTENCIA, S.A.; THE COMMERCE GROUP INC; TÜRKIYE GENEL SIGORTA, A.S.; MAPFRE CAUCIÓN Y CRÉDITO; MAPFRE GLOBAL RISKS.	—
Mr Rafael Senén	MAPFRE ASISTENCIA S.A.; BENELUX ASSIST; MAPFRE WARRANTY (Italy); IBERO ASSISTÈNCIA (Portugal); MAPFRE ABRAXAS (United Kingdom); I&G INSURANCE SERVICES LIMITED; HOME3; IBERO ASISTENCIA (Argentina); BRASIL ASSISTENCIA (Brazil); SUR ASISTENCIA (Chile); ANDIASISTENCIA (Colombia); MEXICO ASISTENCIA (Mexico); PANAMÁ ASISTENCIA (Panama); SERVICIOS GENERALES DE VENEASISTENCIA, S.A. (Venezuela); CARIBE ASISTENCIA SIAM C. POR A. (Dominican Republic); VIAJES MAPFRE (Dominican Republic); FEDERAL ASSIST (United States); BRICKELL FINANCIAL SERVICES MOTOR CLUB INC. (ROAD AMERICA) (United States); ROAD-CHINA ASISTANCE (China); INDIA ROADSIDE ASSISTANCE PRIVATE LTD. (India).	—
Mr Lorenzo Garagorri	—	27,083
Mr Pedro López	MAPFRE INVERSIÓN SOCIEDAD DE VALORES; MAPFRE GENEL SIGORTA (Turkey); REINSURANCE MNGT. INC. USA; MAPFRE GLOBAL RISK; MIDDLESEA (Malta).	1,953

8.2 External Auditors' fees

The fees accruing to the External Auditors in the 2010 financial year for their services in auditing the financial statements amounted to €197,035 (€168,372 in 2009); a further €41,531 (€122,151 in 2009) accrued to them for other complementary services provided, figures which are not considered to compromise the auditors' independence.

8.3 Environmental information

The Group companies do not have any environment-related items that might be significant or specifically included in the present consolidated financial statements.

8.4 Deferment of payments

At year end, there were no deferments with commercial creditors beyond the legally established deadline.

8.5 Other matters

In late 2009, the Council of the Spanish Competition Commission penalised MAPFRE EMPRESAS (currently MAPFRE GLOBAL Risks) and MAPFRE RE, along with two other insurance companies and three reinsurers, for supposed restrictive practices, declaring in its Resolution that the proceedings had proved the existence of an agreement fixing the minimum prices of decennial (latent defect) insurance. The penalty consisted of hefty fines, the one imposed jointly on the MAPFRE entities being for the sum of €21,632,000, with the obligation to publish the enacting part of the Resolution passed to that effect.

As it considers the written pleadings contained in the Resolution, and therefore the penalties imposed, to be unlawful, the Company has lodged an appeal with the Audiencia Nacional (National Criminal Court) and at the same time requested, as an interim measure, that the effects of the aforementioned administrative action be suspended.

The court finally agreed to suspend payment of the fine with the presentation of the corresponding guarantee.

It is considered likely that the appealed Resolution will be revoked in court, given the attendant circumstances and, in particular, the fact that in no way have any of the MAPFRE companies affected been involved in any cartel or engaged in practices prohibited by the regulations in force.

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.

In addition, this document is a free translation of the consolidated accounts originally issued in Spanish. In the event of any discrepancy, the Spanish language version prevails.

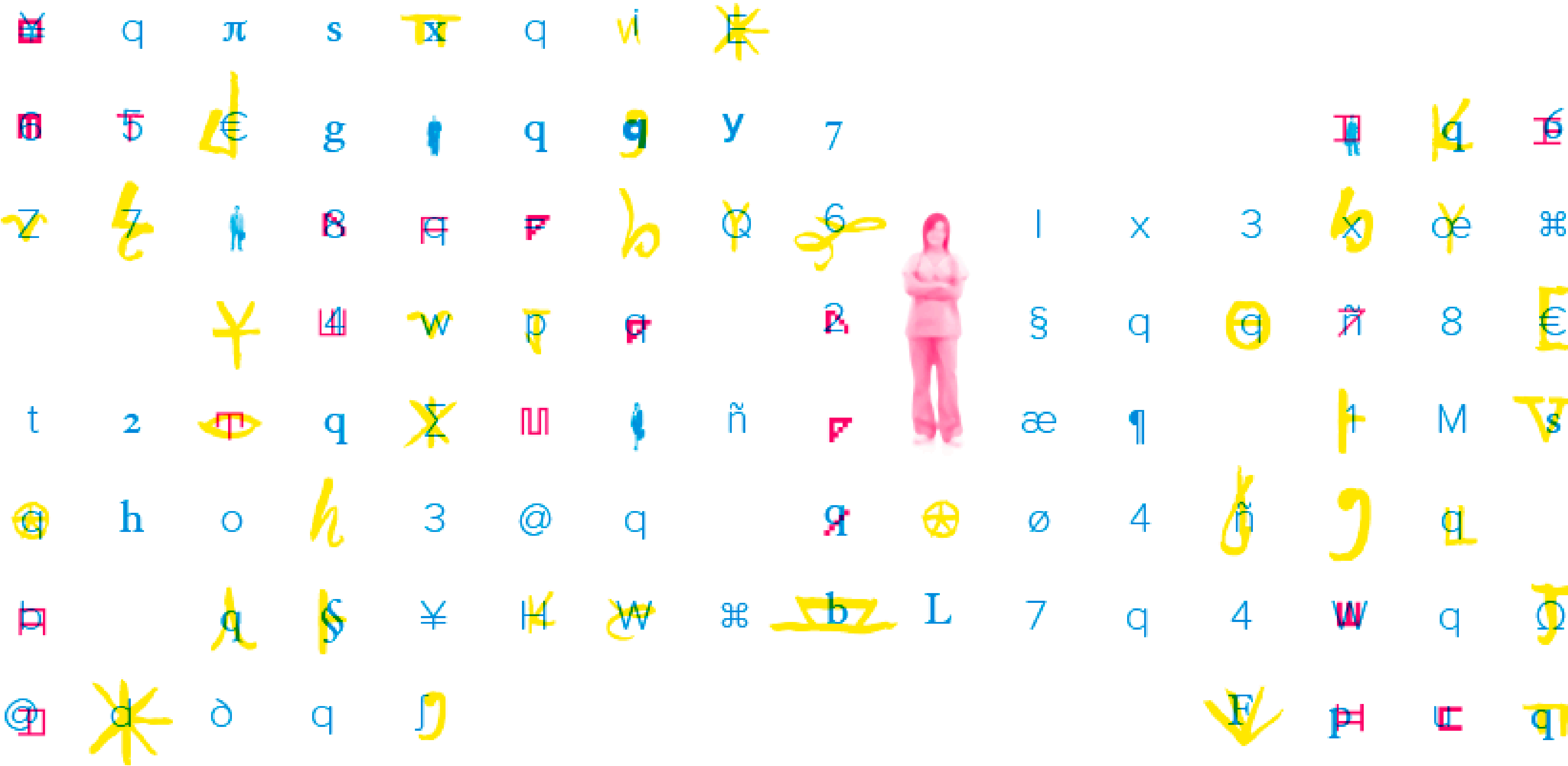


Table of subsidiaries and associate companies 2010 (appendix 1)

NAME	COUNTRY	EFFECTIVE TAX RATE	ACTIVITY
COMPAGNIE INTENATIONALE D'ASSURANCES ET DE REASSURANCES (CIAR)	45 , Rue de Treves Bruselas (Belgica)	34%	Insurance and Reinsurance
INVERSIONES IBÉRICAS LTDA	Ava. Apoquindo 4499-8º Santiago de Chile (Chile)	17%	Finance and Real Estate
MAPRE CHILE REASEGUROS S.A.	Avda Apoquindo 4499-8º Santiago de Chile (Chile)	17%	Reinsurance
F. ALCORTA S.A.	Bouchard 547 piso 14 Buenos Aires (Argentina)	35%	Real Estate (run off)
ITSEMAP SERVICIOS TECNOLOGICOS MAPFRE S.A.	Barbara de Braganza 14 Madrid (España)	35%	Consultancy firm
MAPFRE RE DO BRASIL COMPAÑÍA DE REASEGUROS	Rua Olimpiadas 242 5º Andar Sao Paulo (Brasil)	15%	Reinsurance
MAPFRE RE COMPAÑÍA DE REASEGUROS ESCRITORIO DE REPRESENTAÇAO NO BRASIL LTDA	Rua Olimpiadas 242 5º Andar Sao Paulo (Brasil)	15%	Reinsurance
MAPFRE MANDATOS Y SERVICIOS S.A.	Bouchard 547 piso 14 Buenos Aires (Argentina)	35%	Servicies
MAPFRE INTERNET S.A.	Ctra de Pozuelo a Majadahonda nº 52 Madrid (España)	35%	Information technology
MAPFRE INFORMATICA A.I.E.	Ctra de Pozuelo a Majadahonda nº 52 Madrid (España)	35%	Information technology
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 6º Andar Sao Paulo (Brasil)	15%	Consultancy firm
ITSEMAP CHILE SERVICIOS TECNOLÓGICOS MAPFRE LTDA	Ava. Apoquindo 4499-8º Santiago de Chile (Chile)	17%	Consultancy firm
CAJA REASEGURADORA DE CHILE	Ava. Apoquindo 4499-8º Santiago de Chile (Chile)	17%	Reinsurance
MAPFRE CHILE SEGUROS, S.A.	Ava. Apoquindo 4499-8º Santiago de Chile (Chile)	17%	Holding Company
INMOBILIARIA COSTA DE MONTEMAR, S.A.	Ava. Apoquindo 4499-8º Santiago de Chile (Chile)	17%	Real Estate
INMOBILIARIA TIRILLUCA, S.A.	Ava. Apoquindo 4499-8º Santiago de Chile (Chile)	17%	Real Estate
ADMINISTRADORA DE PROPIEDADES	Napoleon 3096 Santiago de Chile (Chile)	17%	Real Estate
COMERCIAL TURISMO, S.A.	Napoleon 3096 Santiago de Chile (Chile)	17%	Real Estate
MAPFRE GARANTIAS Y CREDITO CIA DE SEGUROS S.A.	Isidora Goyenechea nº 3520 - Santiago de Chile (Chile)	17%	Guarantees and Credits
CAJA RE ARGENTINA S.A	Bouchard 547 piso 14 Buenos Aires (Argentina)	35%	Services, Consultancy

(FIGURES IN EUROS 000)

CONSOLIDATION METHOD OR PROCEDURE

A Fully consolidated subsidiaries

B Associate and investee companies consolidated using the equity method

C Associate and investee companies excluded from consolidation

HOLDING %		FIGURES AT CLOSE OF 2009				
HOLDER	OF SHARE CAPITAL	ASSETS	EQUITY	INCOME	RESULT FOR THE YEAR	CONSOLIDATION METHOD OR PROCEDURE
Mapfre Re Maplux Re	99,9900% 0,0100%	12.528	9.088	929	567	A
Mapfre Re	99,9899%	17.158	15.790	954	(115)	A
Mapfre Re	99,9932%	124.926	55.068	7.084	979	A
Mapfre Re	99,9985%	7	7			C
Mapfre Re	39,9752%	6.072	4.696	8.145	143	B
Mapfre Re	99,9999%	198.979	40.503	40.446	3.290	A
Mapfre Re	99,9999%	47	47			C
Mapfre Re Caja Re Arg.	95,0000% 5,0000%	197	98		5	C
Mapfre Re	1,0000%	18.866	3.312	23.968	108	C
Mapfre Re	1,0000%	40.724	1.000	194.966		C
Mapfre Asistencia	0,0020%	3.911	2.269	3.656	898	C
Mapfre Re	100,0000%	748	16			A
Itsemap S.T.M. Mapfre Re do Brasil	99,9792% 0,0208%	1.646	1.234	3.432	99	C
Itsemap S.T.M Inv. Ibéricas	75,0000% 25,0000%	41	42		(1)	C
Inv. M. Chile Re	99,8467%	103.832	40.124	5.908	1.724	A
Inv. M. Chile Re	0,0042%	37.422	37.418	58	(18)	C
Inv. Ibéricas	31,4400%	25.357	25.347	1.800	816	B
Inv. M. Chile Re	43,7500%	12.412	12.274	27	(328)	B
Inv. Ibéricas	31,2900%	564	238	1.639	97	B
Inv. Ibéricas	31,2000%	560	159	1.148	168	B
Inv. Ibéricas	0,0077%	23.837	6.330	10.230	337	C
Inv. Ibéricas	99,9960%	128	102	6	5	A

Table of subsidiaries and associte companies 2009 (appendix 1)

NAME	COUNTRY	EFFECTIVE TAX RATE	ACTIVITY
COMPAGNIE INTENATIONALE D'ASSURANCES ET DE REASSURANCES (CIAR)	45 , Rue de Treves Bruselas (Belgica)	34%	Insurance and Reinsurance
INVERSIONES IBÉRICAS LTDA	Ava. Apoquindo 4499-8º Santiago de Chile (Chile)	17%	Finance and Real Estate
MAPRE CHILE REASEGUROS S.A.	Avda Apoquindo 4499-8º Santiago de Chile (Chile)	17%	Reinsurance
F. ALCORTA S.A.	Bouchard 547 piso 14 Buenos Aires (Argentina)	35%	Real Estate (run off)
ITSEMAP SERVICIOS TECNOLOGICOS MAPFRE S.A.	Barbara de Braganza 14 Madrid (España)	35%	Consultancy firm
MAPFRE RE BRASIL	Rua Sao Carlos Do Pinhal 696 3º Andar Sao Paulo (Brasil)	15%	Reinsurance
MAPFRE MANDATOS Y SERVICIOS S.A.	Bouchard 547 piso 14 Buenos Aires (Argentina)	35%	Servicies
MAPFRE INTERNET S.A.	Ctra de Pozuelo a Majadahonda nº 52 Madrid (España)	35%	Information technology
MAPFRE INFORMATICA A.I.E.	Ctra de Pozuelo a Majadahonda nº 52 Madrid (España)	35%	Information technology
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 firm
ITSEMAP CHILE SERVICIOS TECNOLÓGICOS MAPFRE LTDA	Ava. Apoquindo 4499-8º Santiago de Chile (Chile)	17%	Consultancy firm
CAJA REASEGURADORA DE CHILE	Ava. Apoquindo 4499-8º Santiago de Chile (Chile)	17%	Reinsurance
MAPFRE CHILE SEGUROS, S.A.	Ava. Apoquindo 4499-8º Santiago de Chile (Chile)	17%	Holding Company
INMOBILIARIA COSTA DE MONTEMAR, S.A.	Ava. Apoquindo 4499-8º Santiago de Chile (Chile)	17%	Real Estate
INMOBILIARIA TIRILLUCA, S.A.	Ava. Apoquindo 4499-8º Santiago de Chile (Chile)	17%	Real Estate
ADMINISTRADORA DE PROPIEDADES	Napoleon 3096 Santiago de Chile (Chile)	17%	Real Estate
COMERCIAL TURISMO, S.A.	Napoleon 3096 Santiago de Chile (Chile)	17%	Real Estate
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, Consultancy

(DATOS EN MILES DE EUROS)

CONSOLIDATION METHOD OR PROCEDURE

A Fully consolidated subsidiaries

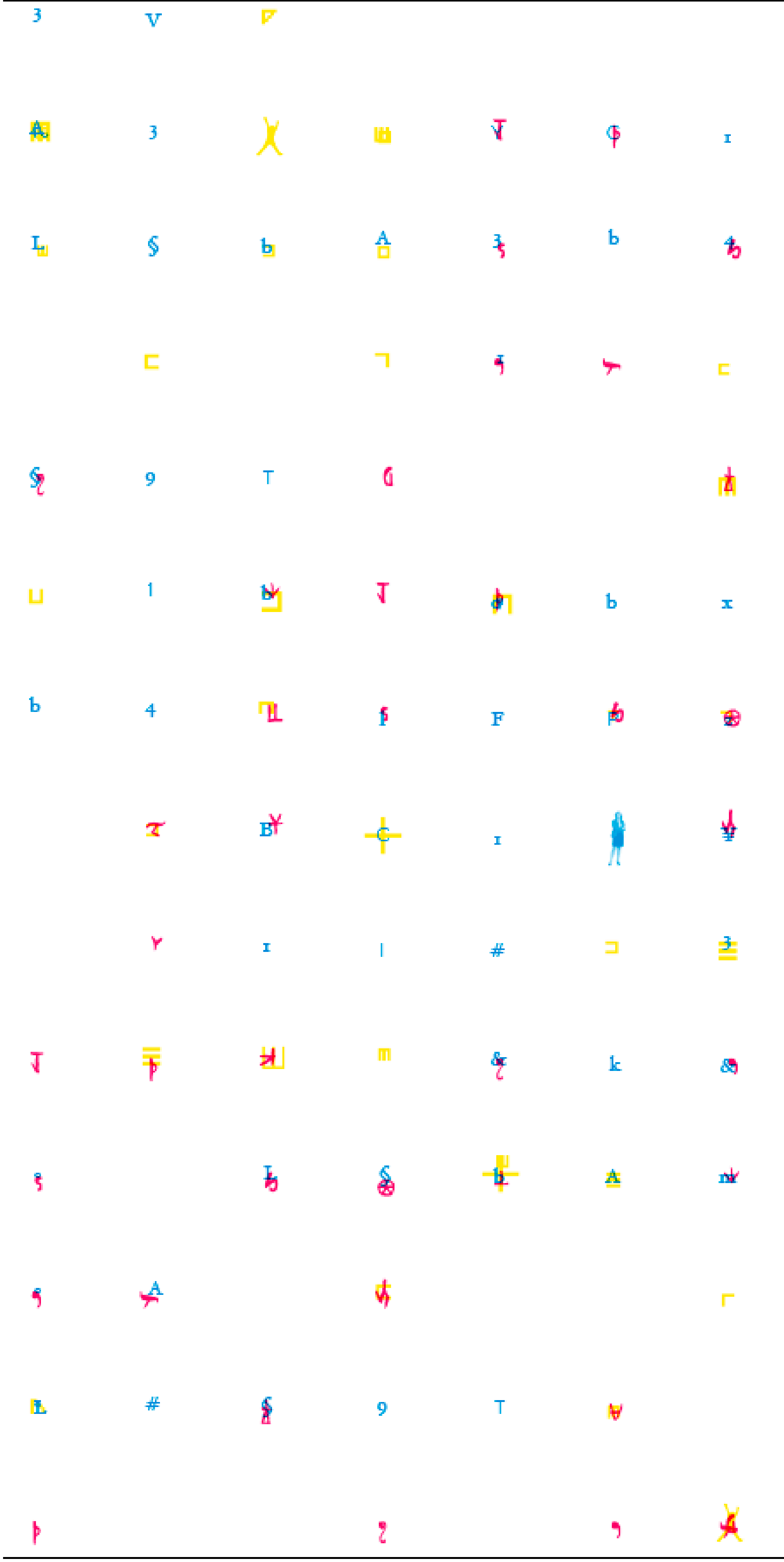
B Associate and investee companies consolidated using the equity method

C Associate and investee companies excluded from consolidation

HOLDING %		FIGURES AT CLOSE OF 2008				
HOLDER	OF SHARE CAPITAL	ASSETS	EQUITY	INCOME	RESULT FOR THE YEAR	CONSOLIDATION METHOD OR PROCEDURE
Mapfre Re Maplux Re	99,9900% 0,0100%	14.904	9.060	1.339	525	A
Mapfre Re	99,9899%	18.224	18.051	594	58	A
Mapfre Re	99,9932%	97.927	43.325	6.566	2.001	A
Mapfre Re	99,9985%	8	8	0	0	C
Mapfre Re	39,9752%	6.105	4.291	8.545	155	B
Mapfre Re	99,9999%	118.835	30.818	18.030	1.244	A
Mapfre Re Caja Re Arg.	95,0000% 4,9993%	176	91	837	8	C
Mapfre Re	1,0000%	5.507	3.224	7.157	(86)	C
Mapfre Re	1,0000%	40.071	1.000	171.399	0	C
Mapfre Asistencia	0,0020%	4.465	3.084	5.407	1.011	C
Mapfre Re	100,0000%	740	14	0	0	A
Itsemap S.T.M. Mapfre Re Brasil	99,9792% 0,0208%	1.383	1.020	2.938	81	C
Itsemap S.T.M Inv. Ibéricas	75,0000% 25,0000%	35	37	1	1	C
Inv. M. Chile Re	99,8467%	85.109	32.251	4.857	1.384	A
Inv. M. Chile Re	0,0042%	23.948	23.948	86	1.144	C
Inv. Ibéricas	31,4400%	20.614	20.464	1.837	231	B
Inv. Ibéricas	43,7500%	10.914	10.503	42	(71)	B
Inv. Ibéricas	31,2900%	704	117	1.720	(94)	B
Inv. Ibéricas	31,2000%	247	(8)	547	35	B
Inv. Ibéricas	0,0077%	9.375	4.976	4.762	(1.836)	C
Inv. Ibéricas	99,9960%	117	94	11	3	A

4

Auditors' report on 2010 consolidated financial statements



ERNST & YOUNG

Ernst & Young, S.L.
Torre Picasso
Plaza Pablo Ruiz Picasso, 1
28020 Madrid
Tel.: 902 365 456
Fax: 915 727 300
www.ey.com/es

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)

AUDIT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

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. (the Parent Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position at December 31, 2010, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes thereto for the year then ended. As indicated in Note 2.1 to the accompanying consolidated financial statements, the directors are responsible for the preparation of the Group's financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and other provisions in the regulatory framework applicable to the Group. Our responsibility is to express an opinion on the aforementioned consolidated financial statements taken as a whole, based upon work performed in accordance with prevailing audit regulations in Spain, which require the examination, through the performance of selective tests, of the evidence supporting the consolidated financial statements, and the evaluation of whether their presentation, the accounting principles and criteria applied and the estimates made are in agreement with the applicable regulatory framework for financial information.

2. In our opinion, the accompanying 2010 consolidated financial statements give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of MAPFRE RE, Compañía de Reaseguros, S.A. and subsidiaries at December 31, 2010, and the consolidated results of operations and consolidated cash flow for the year then ended, in conformity with IFRS, as adopted by the EU, and other applicable provisions in the regulatory framework for financial information.

3. Without it affecting our audit opinion, we draw your attention to the matter described in Note 6.21 to the accompanying financial statements, which states that the Parent Company and some of its subsidiaries have carried out significant transactions with some MAPFRE group companies as related parties in the normal course of business at arm's length

Domicilio Social: Pl. Pablo Ruiz Picasso, 1. 28020 Madrid
Inscrita en el Registro Mercantil de Madrid al
Tomo 12749, Libro 0, Folio 215, Sección 8ª,
Hoja M-23123, Inscripción 116. C.I.F. B-78970506

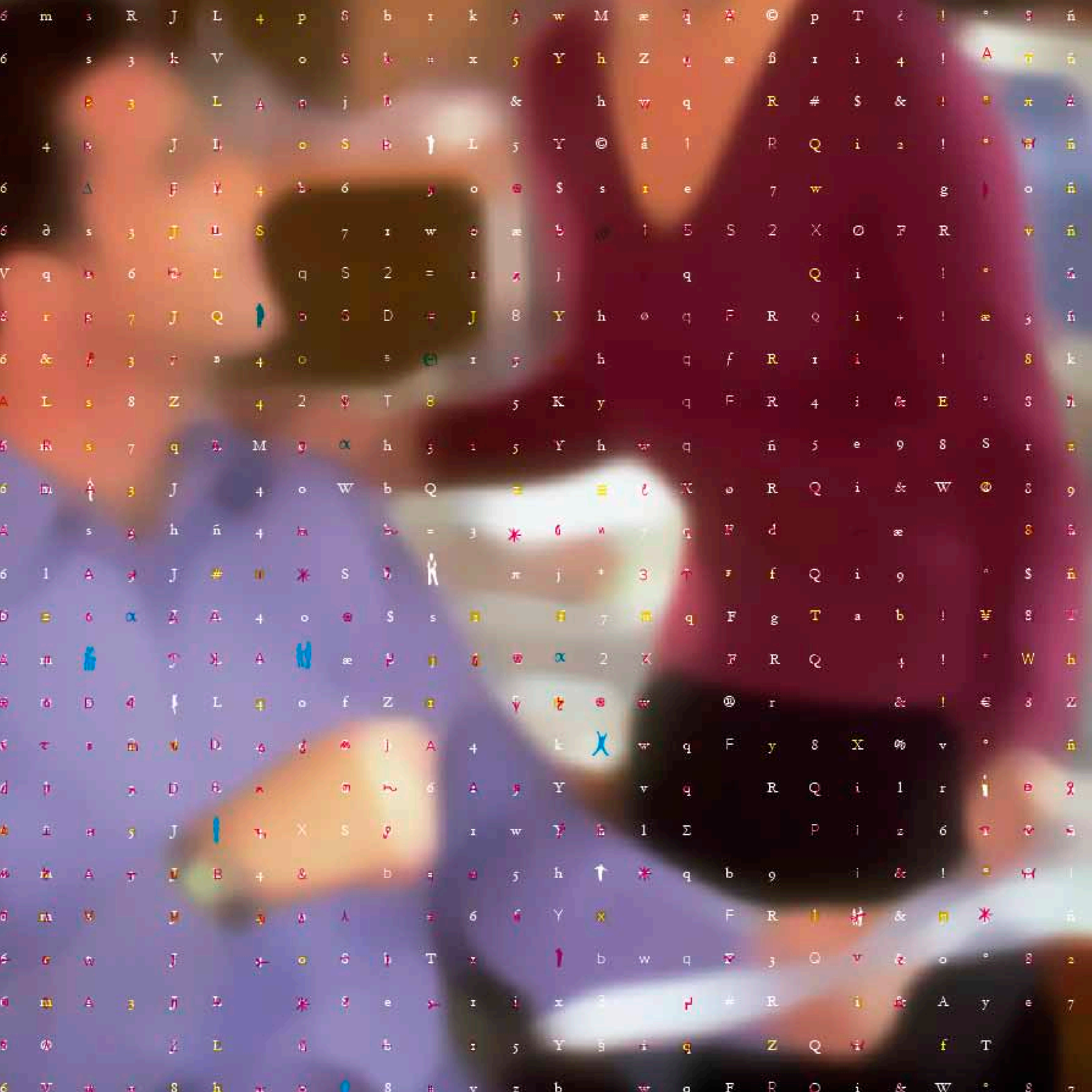
4. The accompanying 2010 consolidated management report contains such explanations as the Parent Company's directors consider appropriate concerning the situation of MAPFRE RE, Compañía de Reaseguros, S.A. and its subsidiaries, the evolution of their business and other matters; however, it is not an 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, 2010. Our work as auditors is limited to verifying the consolidated management report in accordance with the scope mentioned in this paragraph, and does not include the review of information other than that obtained from the accounting records of the consolidated companies.

ERNST & YOUNG, S.L.

(Signed in the original issued
in Spanish language)

Fernando Pindado Cardona

March 8, 2011



5

Individual Management Report 2010

Business development

Despite the strong catastrophic accidents occurred during the first half of the year, MAPFRE RE achieved a positive result higher than in the previous period as well as significant growth in subscribed premiums and income, which enabled further progress in its consolidation as a leading international reinsurer.

During the first half of the year there was a marked rise in catastrophe claims, notably the earthquake in Chile and in the third quarter the New Zealand earthquake which, together with other catastrophic events, have adversely affected the technical profits of a large number of reinsurers, an effect partially offset by improved financial results, all within a framework of strong competition, due to the financial strength of reinsurance companies.

Statement of income

— The premiums posted amounted to €2,334.2 million – a figure which represents a 16.0% increase compared with those posted the previous year. The net premiums posted amounted to €1,575.4 million, representing growth of 15.3% compared with the previous year.

— The combined ratio for Life and Non-Life business stood at 95.4%, made up of a loss ratio of 66.7%, commission and other acquisition and management expenses of 28.7%.

— The underwriting result came to €98.6 million, while net financial income stood at €107.3 million.

— The income statement showed a result before tax and minority interests of €175.5 million, which was lower than the €182.6 million recorded the previous year. Net profit after tax and minority shareholders amounted to €128.4 million, unchanged from that recorded the previous year.

Balance sheet

— Shareholders' equity amounted to €850.1 million.

— Net technical provisions reached €1,805.4 million, representing 114.6% of retained premium.

— Financial investments totalled 1978.1 million Euro, which is broken down into Financial Assets held for trading amounting to €28.3 million, Financial Assets available for sale to an amount of €1852.4 million, Deposits in credit institutions amounting to €30.1 million and shares in companies associated with the group of €67.3 million.

— Cash and other liquid assets amounted to €120.3 million.

— Total assets came to €3,826.9 million.

Main activities

— The liberalisation of the reinsurance market in Brazil has been positive for MAPFRE RE. The two platforms established to address the business of that country, "MAPFRE RE (admitted reinsurer authorised in April 2010) and MAPFRE RE DO BRASIL (local reinsurer) - have allowed to manage operations globally this year, paying particular attention to compliance of strict local regulations, regarding the development of the Group's insurance entities and intensively developing profitable business with the rest of the market.

— In September 2010 the Board of Directors of MAPFRE RE approved the opening of a new branch in Paris, which will be operational in 2011. This new office, which will focus on the Life and Personal Lines business, will expand the Company's direct presence in this important market, and enhance business development in the European market.

— MAPFRE RE has further strengthened its human resources team with highly qualified staff, both at its headquarters and its offices, which will improve the service provided to customers, and has advanced in the process of managerial succession, which this year has affected the Management Centres of Bogotá, London and Brussels.

— The policy of providing technical services to clients has been maintained, and we must highlight the publication on the website of the MARESEL quoting program for Life insurance in English; seminars on personal and agricultural assistance risks, attended by representatives from fourteen countries; holding of the Third International Seminar in Madrid, attended by representatives from eighteen countries, and technical seminars given by ITSEMAP in twelve countries, with 345 attendants. The Trébol magazine has also adopted a new and more attractive format, and is additionally available online at MAPFRE RE's website.

— The Company has renewed its excellent ratings with the rating agencies: Standard and Poor's has maintained its AA rating with negative perspective on par with the sovereign rating, and A.M. Best has maintained an A+ rating, with negative perspective. On the other hand, MAPFRE RE holds the fourteenth place in world rankings of reinsurers, published by S & P (based on net premiums) and A.M. Best (based on gross premiums). This all reflects market confidence in the Company's solvency and the quality of its management.

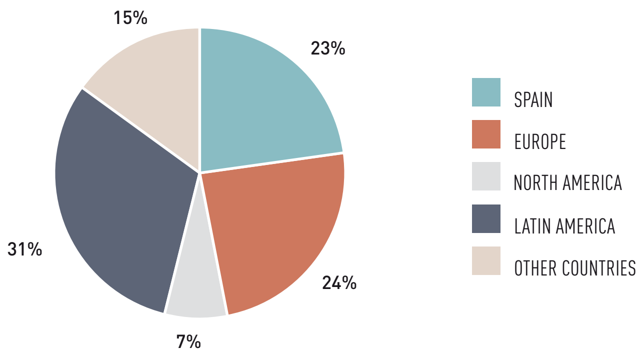
— The Chile and New Zealand earthquakes, which have caused considerable material damage, in the case of Chile in excess of $10,000 million, represented for MAPFRE RE a net reinsurance cost of €151.3 million, including reinstatement of coverage.

Subsidiary and associated companies

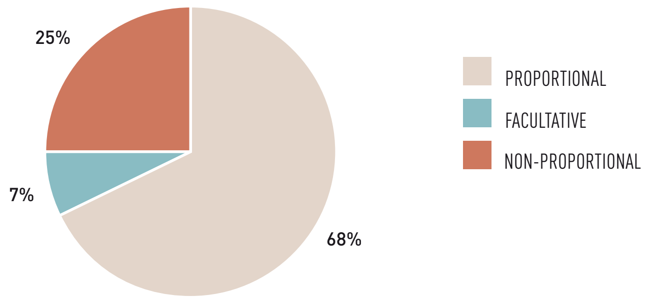
The Chilean subsidiaries, INVERSIONES IBÉRICAS and MAPFRE CHILE REASEGUROS, have earned income amounting to €8 million and a profit before tax of €0.9 million; their equity at the end of the year is €70.9 million.

MAPFRE RE DO BRASIL obtained in 2010 a turnover of €95.9 million, premiums of €88.5 million and a profit before tax of €6.7 million; its equity amounted to €40.5 million.

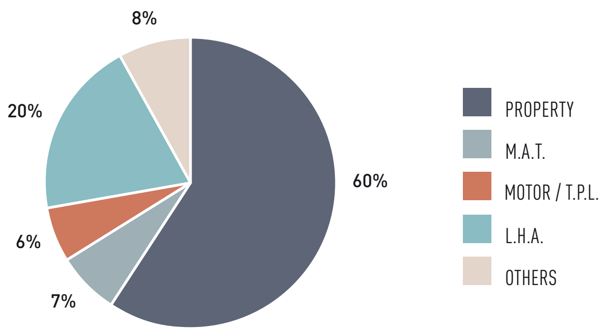
2010 Porfolio Composition by geographical area



2010 Porfolio composition by type of business



2010 Portfolio composition by branch



Outlook

MAPFRE RE faces the year 2011 with excellent financial strength, allowing it to continue its prudent expansion in a market that is expected to be very competitive.

The market will be subject to various challenges, such as a low rate of return on investments, a technical profits account lower than previous years due to competition on price and conditions, a reduction of turnover derived from a greater retention by insurers, and the difficulty that claims reserves remain favourably adjusted each year due to, among other reasons, the rise in inflation; all this in an environment in which significant recorded business growth in emerging markets is insufficient to offset the effects of the crisis affecting more developed markets.

In this context, reinsurers must take appropriate and definitive steps to implement the rules originated in Solvency II, which will lead to greater volatility of results. We must add to this the occurrence of disasters which, according to their intensity or frequency, may determine a higher or lower tightening of the conditions and prices.

Thanks to its financial strength, professionalism and credibility with clients and brokers, MAPFRE RE is well positioned to successfully meet these challenges.

Subsequent events

At the time of closing this report, there have been no significant developments that may affect the current year's outlook or budget.

There have been no subsequent events that may affect the financial statements as of December 31st, 2010.

Additional notes

Environmental information

MAPFRE's commitment to the environment is articulated through three pillars: integration of the environment into the business, environmental management, and the promotion of environmental responsibility. In this respect, besides taking on the environmental commitments laid down in the United Nations Global Compact, MAPFRE participates in the United Nations Environment Programme Finance Initiative (UNEP FI), an environmental initiative for financial institutions and the insurance sector promoted by the United Nations Environment Programme (UNEP), and has signed cooperation agreements with relevant public bodies in relation to water saving and energy efficiency.

Personnel

At the end of the financial year, the average number of people working for the Company maintained the following structure by professional categories:

CATEGORY	2010	2009	2008
Managerial staff	48	49	48
Administrative staff	27	50	54
Sales staff	–	–	–
Other	60	32	27
TOTAL	**135**	**131**	**129**

INVESTMENTS

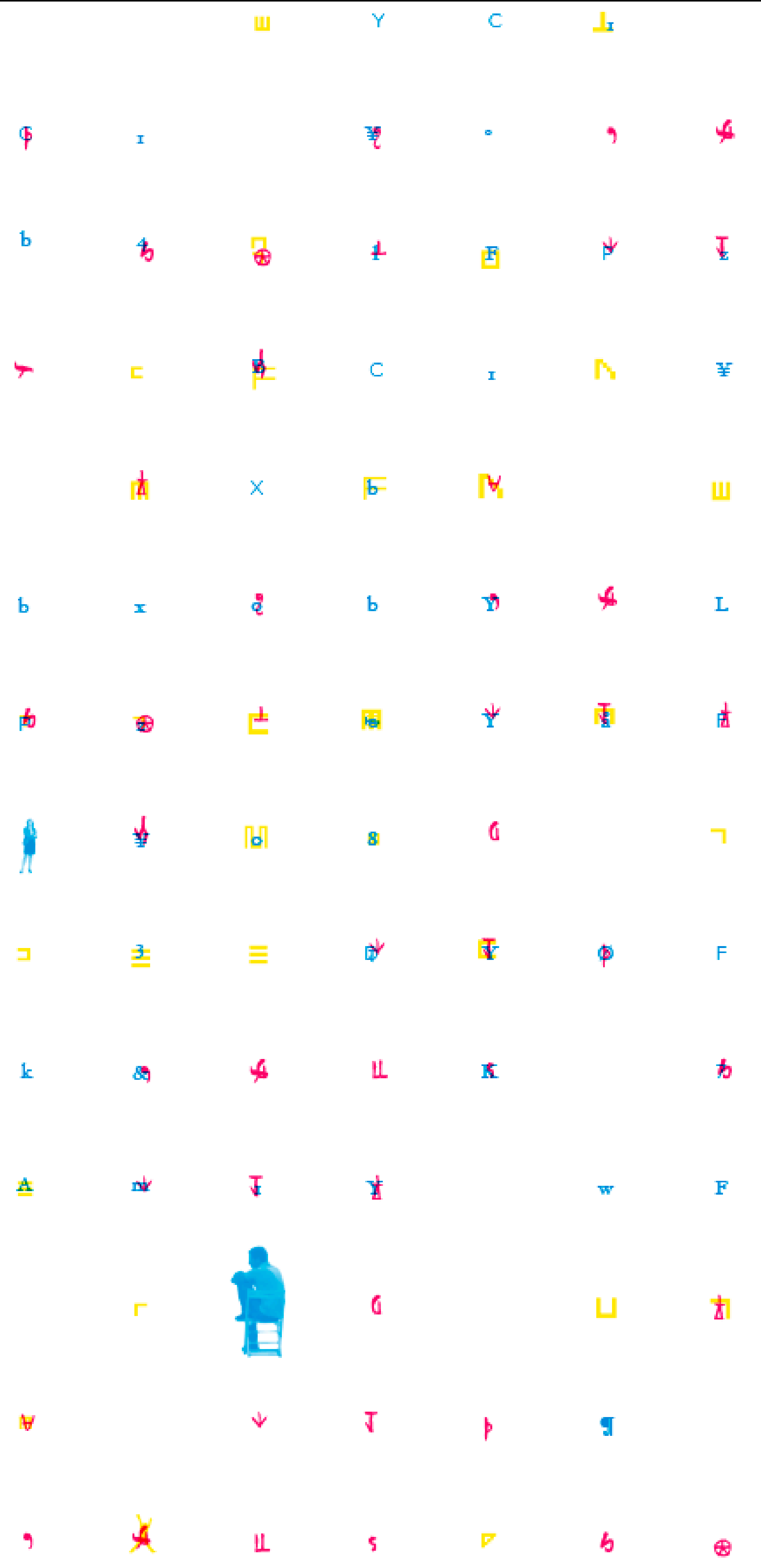
As regards financial investments, MAPFRE RE's policy for reducing its exposure to risks of this type has been based on a prudent investment policy which concentrates the bulk of the portfolio in fixed-income securities.

As for the credit risk, MAPFRE RE's policy has been based on prudence (issuer's financial standing) and the diversification of fixed-income investments. The bulk of the fixed-income-securities portfolio is thus made up of securities with a high credit rating.

For investments in both fixed-income securities and equities, diversification criteria per activity sector and maximum limits of risk per issuer are applied.

6

Individual annual accounts 2010



Balance sheet as at 31 December 2010 & 2009

A) ASSETS	Notes to the Accounts	2010	2009
A-1) Cash and cash equivalents	8	**120,362**	**62,364**
A-2) Financial assets held for trading		**28,373**	**9,214**
I. Equity instruments	8	28,373	9,214
II. Debt securities			
III. Derivatives			
IV. Other			
A-3) Other financial assets at fair value through profit or loss		**89**	**4,127**
I. Equity instruments	8	89	44
II. Debt securities			
III. Hybrid instruments	8		4,083
IV. Investments on behalf of unit-linked life insurance policyholders			
V. Other			
A-4) Available-for-sale financial assets		**1,852,377**	**1,794,587**
I. Equity instruments	8	176,780	158,557
II. Debt securities	8	1,675,597	1,636,030
III. Investments on behalf of unit-linked life insurance policyholders			
IV. Other			
A-5) Loans and receivables		**588,855**	**563,436**
I. Debt securities			
II. Loans		35,767	35,711
1. Advances on policies			
2. Loans to group and associated companies	8	35,767	35,711
3. Loans to other related companies			
III. Deposits with credit institutions	8	30,088	28,819
IV. Deposits established for assumed reinsurance	8	332,859	327,336
V. Receivables from direct insurance operations			
1. Policyholders			
2. Brokers			
VI. Receivables from reinsurance operations	8	176,028	166,800
VII. Receivables from coinsurance operations			
VIII. Called-in payments			
IX. Other receivables		14,113	4,770
1. Receivables from public administrations	8	9,997	2,474
2. Rest of receivables	8	4,116	2,296
A-6) Held-to-maturity investments			
A-7) Hedging derivatives			
A-8) Reinsurance's share of technical provisions	4i & 22	**933,793**	**592,967**
I. Provision for unearned premiums		328,056	341,138
II. Provision for life insurance		10,832	9,207
III. Provision for outstanding claims		594,905	242,622
IV. Other technical provisions			
A-9) Property, plant and equipment, and investment property		**31,571**	**30,778**
I. Property, plant and equipment	5	31,571	30,778
II. Investment property			
A-10) Intangible assets		**1,480**	**1,742**
I. Goodwill			
II. Economic rights arising from policy portfolios acquired from brokers			
III. Other intangible assets	6	1,480	1,742
A-11) Interests in associated Group companies		**67,299**	**67,253**
I. Interests in associated companies	8	840	840
II. Interests in multi-group companies			
III. Interests in Group companies	8	66,459	66,413
A-12) Tax assets		**32,872**	**11,282**
I. Current tax assets			
II. Deferred tax assets	11	32,872	11,282
A-13) Other assets		**169,784**	**169,855**
I. Assets and reimbursement rights arising from long-term employee benefits		455	465
II. Advance commission and other acquisition expenses			
III. Accruals		169,329	169,390
IV. Rest of assets			
A-14) Assets held for sale			
TOTAL ASSETS		**3,826,855**	**3,307,605**

(FIGURES IN EUROS 000)

EQUITY AND LIABILITIES	Notes to the Accounts	2010	2009
A) LIABILITIES			
A-1) Financial liabilities held for trading			
A-2) Other financial assets at fair value through profit or loss			
A-3) Trade and other payables		**206,812**	**227,902**
I. Subordinated liabilities			
II. Deposits received from ceded (outward) reinsurance	8	80,018	105,604
III. Payables arising out of reinsurance operations			
1. Payables to insureds			
2. Payables to brokers			
3. Conditional payables			
IV. Payables arising out of reinsurance operations	8	87,466	85,279
V. Payables arising out of coinsurance operations			
VI. Debentures and other marketable securities			
VII. Debts with credit institutions			
VIII.Payables arising out of preparatory operations for insurance contracts			
IX. Other payables:		39,328	37,019
1. Payables to public administrations	8	10,482	10,813
2. Other payables to Group and associated companies	8	27,027	24,159
3. Rest of other payables	8	1,819	2,047
A-4) Hedging derivatives			
A-5) Technical provisions	4i & 22	**2,739,181**	**2,151,211**
I. Provision for unearned premiums		1,130,770	1,040,083
II. Provision for unexpired risks		293	1,367
III. Provision for life insurance		110,265	82,928
1. Provision for unearned premiums		110,265	82,928
2. Provision for unexpired risks			
3. Mathematical reserve			
4. Provision for unit-linked life insurance policies			
IV. Provision for outstanding claims		1,497,853	1,026,833
V. Provision for bonuses and rebates			
VI. Other technical provisions			
A-6) Non-technical provisions		**1,769**	**2,847**
I. Provisions for taxes and other legal contingencies			
II. Provision for pensions and similar obligations	13	662	663
III. Provision for payments under settlement agreements			
IV. Other non-technical provisions	13	1,107	2,184
A-7) Tax liabilities		**2,190**	**31,617**
I. Current tax liabilities			
II. Deferred tax liabilities	11	2,190	31,617
A-8) Rest of liabilities		**83,928**	**89,730**
I. Accruals		83,928	89,727
II. Liabilities arising from accounting mismatches			
III. Commission and other acquisition costs of ceded reinsurance			
IV. Other liabilities			3
A-9) Liabilities relating to held-for-sale assets			
TOTAL LIABILITIES		**3,033,880**	**2,503,307**
B) EQUITY			
B-1) Shareholders' equity		**850,076**	**778,382**
I. Capital or mutual fund	9	223,916	223,916
1. Registered capital or mutual fund		223,916	223,916
2. (Uncalled capital)			
II. Share premium		220,565	220,565
III. Reserves		101,424	101,334
1. Legal and statutory reserves	9	44,783	44,695
2. Equalisation reserve	9	–	42,096
3. Other reserves		56,641	14,543
IV. (Own shares)			
V. Results from previous financial years		211,139	154,735
1. Retained earnings	3	221,139	154,735
2. (Negative results from previous financial years)			
VI. Other contributions from shareholders and members			
VII. Result for the year	3	128,425	128,394
VIII. (Interim dividend and interim equalisation reserve)	3	(35,393)	(50,562)
IX. Other equity instruments			
B-2) Adjustments for changes in value:		**(57,101)**	**25,916**
I. Available-for-sale financial assets		(58,004)	25,824
II. Hedging operations			
III. Exchange and translation differences		903	92
IV. Correction of accounting mismatches			
V. Other adjustments			
B-3) Grants, donations and bequests received			
TOTAL EQUITY		**792,975**	**804,298**
TOTAL EQUITY AND LIABILITIES		**3,826,855**	**3,307,605**

(FIGURES IN EUROS 000)

Income statement for the financial year ended 31 December 2010 & 2009

I. NON-LIFE TECHNICAL ACCOUNT	2010	2009
I.1. Premiums written in the financial year, net of reinsurance	**1,270,099**	**1,156,645**
a) Earned premiums	2,054,543	1,839,734
a.1) Direct insurance		
a.2) Assumed reinsurance	2,054,543	1,839,734
a.3) Change in impairment adjustment to outstanding premiums (+ or -)		
b) Premiums for ceded reinsurance (-)	(681,749)	(622,629)
c) Change in provisions for unearned premiums and unexpired risks (+ or -)	(89,614)	(53,646)
c.1) Direct insurance		
c.2) Assumed reinsurance	(89,614)	(53,646)
d) Change in provision for unearned premiums, ceded reinsurance (+ or -)	(13,081)	(7,106)
I.2. Income from property, plant and equipment, and investments	**380,485**	**220,296**
a) Income from investment property		
b) Income from financial investments	353,808	190,644
c) Application of impairment adjustments to property, plant and equipment, and investments	528	960
c.1) From property, plant and equipment, and investment property		
c.2) From financial investments	528	960
d) Profits from sale of property, plant and equipment, and investments	26,149	28,692
d.1) From property, plant and equipment, and investment property		
d.2) From financial investments	26,149	28,692
I.3. Other underwriting income		
I.4. Claims for the year, net of reinsurance	**846,434**	**734,527**
a) Claims and expenses paid	741,079	670,707
a.1) Direct insurance		
a.2) Assumed reinsurance	1,210,957	1,016,454
a.3) Ceded reinsurance (-)	(469,878)	(345,747)
b) Change in provision for outstanding claims (+ or -)	105,261	63,738
b.1) Direct insurance		
b.2) Assumed reinsurance	456,081	24,067
b.3) Ceded reinsurance (-)	(350,820)	39,671
c) Claims-related expenses	94	82
I.5. Change in other technical provisions, net of reinsurance (+ or -)		
I.6. Bonuses and rebates		
a) Claims and expenses arising from bonuses and rebates		
b) Change in the provision for bonuses and rebates (profit reserve) (+ or -)		
I.7. Net operating expenses	**371,308**	**345,864**
a) Acquisition expenses	481,279	451,849
b) Administration expenses	7,711	9,335
c) Commission and participations in ceded and retroceded reinsurance	(117,682)	(115,320)
I.8. Other underwriting expenses (+ or -)	**(124)**	**313**
a) Change in impairment arising from insolvencies	(124)	313
b) Change in impairment of property, plant and equipment (+ or -)		
c) Change in payments arising from claims settlement agreements (+ or -)		
d) Other		
I.9. Expenses from property, plant and equipment, and investments	**297,370**	**139,356**
a) Investment management expenses	289,566	134,203
a.1) Expenses from property, plant and equipment, and investment property		
a.2) Expenses from investments and financial accounts	289,566	134,203
b) Value adjustments to property, plant and equipment, and investments	286	284
b.1) Amortisation of property, plant and equipment, and investment property	286	284
b.2) Impairment of property, plant and equipment, and investment property		
b.3) Impairment of financial investments		
c) Losses from property, plant and equipment, and investments	7,518	4,869
c.1) From property, plant and equipment, and investment property		
c.2) From financial investments	7,518	4,869
I.10. SUBTOTAL (RESULT OF THE NON-LIFE TECHNICAL ACCOUNT)	**135,596**	**156,589**

(FIGURES IN EUROS 000)

II. LIFE TECHNICAL ACCOUNT	2010	2009
II.1. Earned premium for the year, net of reinsurance	**176,893**	**139,357**
a) Earned premiums	279,648	172,569
a.1) Direct insurance		
a.2) Assumed reinsurance	279,648	172,569
a.3) Change in impairment adjustment to outstanding premiums (+ or -)		
b) Premiums for ceded reinsurance (-)	(77,043)	(23,551)
c) Change in provisions for unearned premiums and unexpired risks (+ or -)	(27,337)	(8,628)
c.1) Direct insurance		
c.2) Assumed reinsurance	(27,337)	(8,628)
d) Change in provision for unearned premiums, ceded reinsurance (+ or -)	1,625	(1,033)
II.2. Income from property, plant and equipment, and investments	**37,211**	**23,427**
a) Income from investment property		
b) Income from financial investments	34,661	20,372
c) Application of impairment adjustments to property, plant and equipment, and investments		
c.1) From property, plant and equipment, and investment property		
c.2) From financial investments		
d) Profits from sale of property, plant and equipment, and investments	2,550	3,055
d.1) From property, plant and equipment, and investment property		
d.2) From financial investments	2,550	3,055
II.3. Income from investments allocated to unit-linked insurance policies		
II.4. Other underwriting income		
II.5. Claims for the Financial Year Net of Reinsurance	**118,602**	**97,021**
a) Claims and expenses paid	105,113	35,936
a.1) Direct insurance		
a.2) Assumed reinsurance	144,883	51,478
a.3) Ceded reinsurance (-)	(39,770)	(15,542)
b) Change in provision for outstanding claims (+ or -)	13,477	61,075
b.1) Direct insurance		
b.2) Assumed reinsurance	14,939	61,942
b.3) Ceded reinsurance (-)	(1,462)	(867)
c) Claims-related expenses	12	10
II.6. Change in other technical provisions, net of reinsurance (+ or -)		
a) Provisions for life insurance		
a.1) Direct insurance		
a.2) Assumed reinsurance		
a.3) Ceded reinsurance (-)		
Provisions for unit-linked life insurance policies		
b) Other technical provisions		
II.7. Bonuses and rebates		
a) Claims and expenses arising from bonuses and rebates		
b) Change in the provision for bonuses and rebates (profit reserve) (+ or -)		
II.8. Net operating expenses	**43,753**	**33,677**
a) Acquisition expenses	67,792	36,165
b) Administration expenses	1,109	1,047
c) Commission and participations in ceded and retroceded reinsurance	(25,148)	(3,535)
II.9. Other underwriting expenses		
a) Change in impairment arising from insolvencies		
b) Change in impairment of property, plant and equipment (+ or -)		
c) Other		
II.10. Expenses from property, plant and equipment, and investments	**29,227**	**14,599**
a) Management expenses from property, plant and equipment, and investments	28,437	14,088
a.1) Expenses from property, plant and equipment, and investment property		
a.2) Expenses from investments and financial accounts	28,437	14,088
b) Value adjustments to property, plant and equipment, and investments	41	33
b.1) Amortisation of property, plant and equipment, and investment property	41	33
b.2) Impairment of property, plant and equipment, and investment property		
b.3) Impairment of financial investments		
c) Losses from property, plant and equipment, and investments	749	478
c.1) From property, plant and equipment, and investment property		
c.2) From financial investments	749	478
II.11. Expenses from investments allocated to unit-linked insurance policies		
II.12. SUBTOTAL (RESULT OF THE LIFE TECHNICAL ACCOUNT)	**22,522**	**17,487**

(FIGURES IN EUROS 000)

Income statement for the financial year ended 31 December 2010 & 2009 (continued)

III. NON-TECHNICAL ACCOUNT	2010	2009
III.1. Income from property, plant and equipment, and investments	**21,190**	**17,457**
a) Income from investment property		
b) Income from financial investments	19,190	13,376
c) Application of impairment adjustments to property, plant and equipment, and investments		
c.1) From property, plant and equipment, and investment property		
c.2) From financial investments		
d) Profits from sale of property, plant and equipment	2,000	4,081
d.1) From property, plant and equipment, and investment property	8	
d.2) From financial investments	1,992	4,081
III.2. Expenses from property, plant and equipment, and investments	**6,554**	**7,156**
a) Investment management expenses	5,845	6,385
a.1) Expenses from investments and financial accounts	5,845	6,385
a.2) Expenses from tangible investments		
b) Value adjustments to property, plant and equipment, and investments		
b.1) Amortisation of property, plant and equipment, and investment property		
b.2) Impairment of property, plant and equipment, and investment property		
b.3) Impairment of financial investments		
c) Losses from property, plant and equipment, and investments	709	771
c.1) From property, plant and equipment, and investment property	37	32
c.2) From financial investments	672	739
III.3. Other income	**5,506**	**1,966**
a) Income from pension fund administration		
b) Rest of income	5,506	1,966
III.4. Other expenses	**2,739**	**3,768**
a) Pension fund administration expenses		
b) Rest of expenses	2,739	3,768
III.5. SUBTOTAL (RESULT OF NON-TECHNICAL ACCOUNT)	**17,403**	**8,499**
III.6. RESULT BEFORE TAXES (I.10 + II.12 + III.5)	**175,521**	**182,575**
III.7. Income tax	**47,096**	**54,181**
III.8. RESULT FROM CONTINUING OPERATIONS (III.6 + III.7)	**128,425**	**128,394**
III.9. Result from discontinued operations, net of tax (+ or -)		
III.10. RESULT FOR THE YEAR (III.8 + III.9)	**128,425**	**128,394**

(FIGURES IN EUROS 000)

Statement of changes in equity for the financial year ended 31 December 2010 & 2009

A. Statement of recognised income and expenses

STATEMENT OF RECOGNISED INCOME AND EXPENSES	2010	2009
I. RESULT FOR THE YEAR	128,425	128,394
II. OTHER RECOGNISED INCOME AND EXPENSES	(83,017)	12,035
II.1. Available-for-sale financial assets	(119,742)	17,058
Gains and losses on valuation	(100,193)	41,320
Amounts transferred to the income statement	(19,549)	(24,262)
Other reclassifications		
II.2. Cash-flow hedges		
Gains and losses on valuation		
Amounts transferred to the income statement		
Amounts transferred at initial value of the hedged items		
Other reclassifications		
II.3. Hedge of net investments in foreign operations		
Gains and losses on valuation		
Amounts transferred to the income statement		
Other reclassifications		
II.4. Exchange and translation differences	1,158	130
Gains and losses on valuation	1,158	130
Amounts transferred to the income statement		
Other reclassifications		
II.5. Correction of accounting mismatches		
Gains and losses on valuation		
Amounts transferred to the income statement		
Other reclassifications		
II.6. Assets held for sale		
Gains and losses on valuation		
Amounts transferred to the income statement		
Other reclassifications		
II.7. Actuarial gains/(losses) on long-term employee benefits		
II.8. Other recognised income and expenses		
II.9. Income tax	35,567	(5,153)
III. TOTAL RECOGNISED INCOME AND EXPENSES	45,408	140,429

(FIGURES IN EUROS 000)

Statement of changes in equity for the financial year ended 31 December 2010 & 2009

B. Full statement of changes in equity as at 31 december 2010 & 2009

	CAPITAL OR MUTUAL FUND				
ITEM	Registered	Uncalled	Share premium	Reserves	(Own shares and equity interests)
A. BALANCE, YEAR-END 2009	223,916		220,565	101,334	
I. Adjustments due to changes in criteria in 2009					
II. Adjustments due to errors in 2009					
B. ADJUSTED BALANCE, BEGINNING OF 2010	223,916		220,565	101,334	
I. Total recognised income and expenses					
II. Transactions with shareholders or members					
1. Increases in capital or mutual fund					
2. (-) Reductions in capital or mutual fund					
3. 3. Conversion of financial liabilities into equity (conversion of obligations, writing-off of debts)					
4. Distribution of dividends or apportionments					
5. Transactions with own shares or interests (net)					
6 Equity increase (reduction) resulting from business combination					
7. Other transactions with shareholders or members					
III. Other changes in equity				90	
1. Equity-instrument-based payments					
2. Transfers between equity items				88	
3. Other changes				2	
C. BALANCE, YEAR-END 2010	223,916		220,565	101,424	

(FIGURES IN EUROS 000)

	CAPITAL OR MUTUAL FUND				
ITEM	Registered	Uncalled	Share premium	Reserves	(Own shares and equity interests)
A. BALANCE, YEAR-END 2008	223,916		220,565	94,063	
I. Adjustments due to changes in criteria in 2009					
II. Adjustments due to errors in 2009					
B. ADJUSTED BALANCE, BEGINNING OF 2009	223,916		220,565	94,063	
I. Total recognised income and expenses					
II. Transactions with shareholders or members					
1. Increases in capital or mutual fund					
2. (-) Reductions in capital or mutual fund					
3. 3. Conversion of financial liabilities into equity (conversion of obligations, writing-off of debts)					
4. Distribution of dividends or apportionments					
5. Transactions with own shares or interests (net)					
6 Equity increase (reduction) resulting from business combination					
7. Other transactions with shareholders or members					
III. Other changes in equity				7,271	
1. Equity-instrument-based payments					
2. Transfers between equity items				7,202	
3. Other changes				69	
C. BALANCE, YEAR-END 2009	223,916	–	220,565	101,334	–

(FIGURES IN EUROS 000)

Result from previous financial years	Other contributions from members	Result for the year	(Interim dividend)	Other equity instruments	Adjustments for changes in value	Grants, donations and bequests received	TOTAL
154,735		**128,394**	**(50,562)**		**25,916**		**804,298**
154,735		**128,394**	**(50,562)**		**25,916**		**804,298**
		128,425			(83,017)		45,408
		(19,502)	(35,393)				(54,895)
		(19,502)	(35,393)				(54,895)
56,404		(108,892)	50,562				(1,836)
56,404		(107,054)	50,562				0
		(1,838)					(1,836)
211,139		**128,425**	**(35,393)**		**(57,101)**		**792,975**

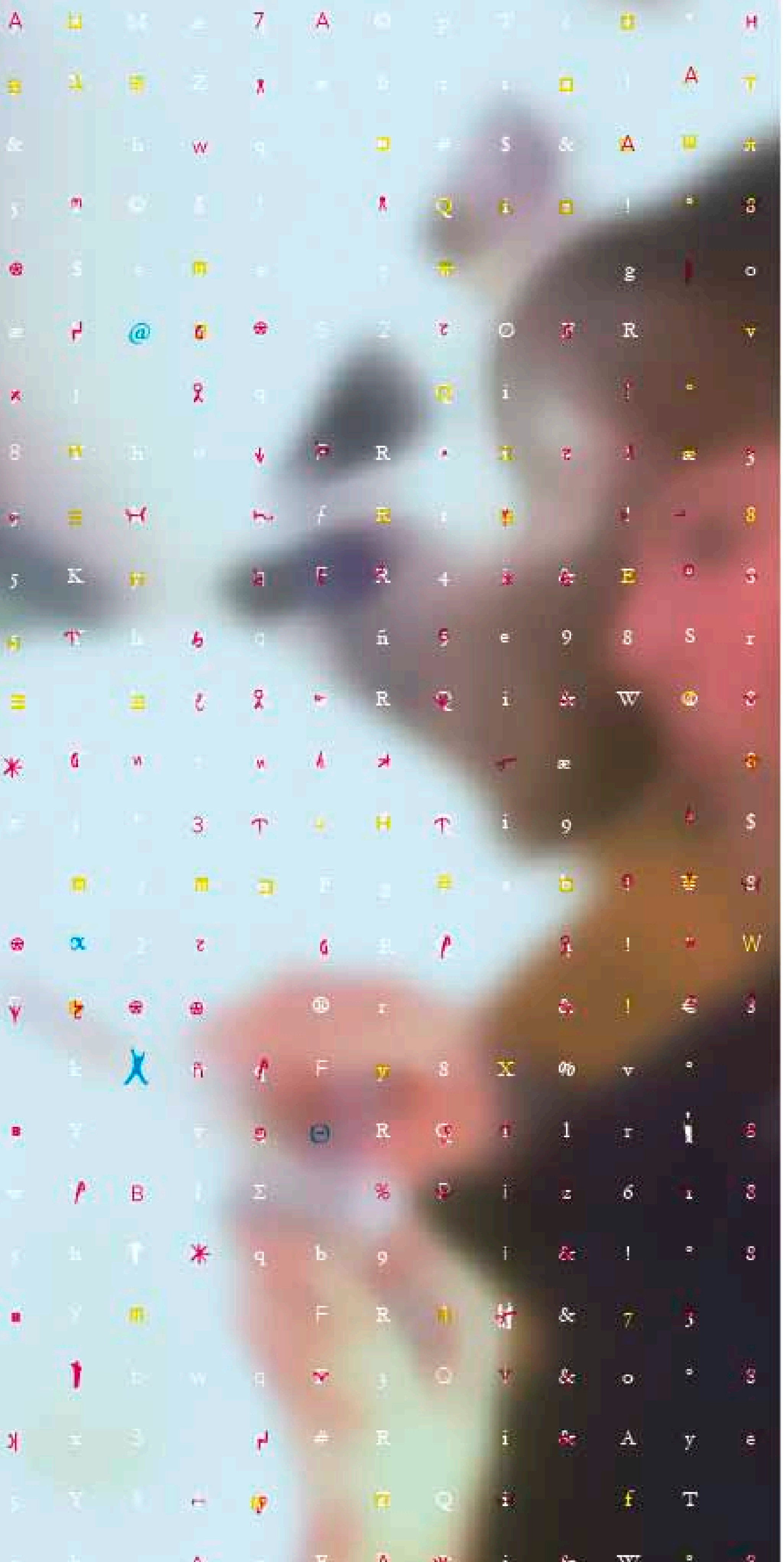
Result from previous financial years	Other contributions from members	Result for the year	(Interim dividend)	Other equity instruments	Adjustments for changes in value	Grants, donations and bequests received	TOTAL
150,983		**72,022**	**(46,228)**		**13,881**		**729,202**
150,983		**72,022**	**(46,228)**		**13,881**		**729,202**
		128,394			12,035		140,429
		(13,002)	(50,562)				(63,564)
		(13,002)	(50,562)				(63,564)
3,752		(59,020)	46,228				(1,769)
3,752		(57,182)	46,228				0
		(1,838)					(1,769)
154,735	**–**	**128,394**	**(50,562)**	**–**	**25,916**	**–**	**804,298**

Cash flow statement for financial year ended 31 December 2010 & 2009

CASH FLOW STATEMENT	2010	2009
A) CASH FLOWS FROM OPERATING ACTIVITIES		
A.1.) Insurance activity	**213,133**	**209,070**
1. Receipts from direct insurance, coinsurance and assumed reinsurance	267,074	407,474
2. Payments on direct insurance, coinsurance and assumed reinsurance	(71,020)	(136,156)
3. Receipts from ceded reinsurance	94,877	55,893
4. Payments on ceded reinsurance	(25,229)	(88,039)
5. Recovery of claims paid		
6. Payments of remuneration to brokers		
7. Other operating receipts		
8. Other operating payments	(52,569)	(30,127)
9. Total cash receipts from insurance activity (1+3+5+7) = I	361,951	463,367
10. Total cash payments from insurance activity (2+4+6+8) = II	(148,818)	(254,322)
A.2.) Other operating activities	**(50,448)**	**(35,210)**
1. Receipts from pension fund management activities		
2. Payments on pension fund management activities		
3. Receipts from other activities		
4. Payments on other activities		
5. Total cash receipts from other operating activities (1+3) = III		
6. Total cash payments on other operating activities (2+4) = IV		
7. Income tax receipts and payments (V)	(50,448)	(35,210)
A.3.) TOTAL NET CASH FLOWS FROM OPERATING ACTIVITIES (I-II+III-IV + - V)	**162,685**	**173,860**
B) CASH FLOWS FROM INVESTING ACTIVITIES		
B.1) Receipts from investing activities	**1,850,664**	**354,858**
1. Property, plant and equipment	58	12
2. Investment property		
3. Intangible assets		
4. Financial instruments	1,751,111	276,020
5. Interests in Group, multi-group and associated companies		
6. Interest collected	88,834	73,291
7. Dividends collected	10,661	5,535
8. Business unit		
9. Other receipts related to investing activities		
10. Total cash receipts from investing activities (1+2+3+4+5+6+7+8+9) = VI	1,850,664	354,858
B.2.) Payments on investing activities	**(1,898,618)**	**(433,751)**
1. Property, plant and equipment	(2,358)	(816)
2. Investment property		
3. Intangible assets	(737)	(695)
4. Financial instruments	(1,895,467)	(431,740)
5. Interests in Group, multi-group and associated companies	(56)	(500)
6. Business unit		
7. Other payments relating to investing activities		
8. Total cash payments from investing activities (1+2+3+4+5+6+7) = VII	(1,898,618)	(433,751)
B.3.) TOTAL CASH FLOWS FROM INVESTING ACTIVITIES (VI – VII)	**(47,954)**	**(78,893)**

ITEM	2010	2009
C) CASH FLOWS FROM FINANCING ACTIVITIES		
C.1) Receipts from financing activities		
1. Subordinated liabilities		
2. Proceeds from issuance of equity instruments and capital increase		
3. Apportionments and contributions by shareholders or members		
4. Disposal of own securities		
5. Other proceeds related to financing activities		
6. Total cash receipts from financing activities (1+2+3+4+5) = VIII		
C.2) Receipts from financing activities	**(56,733)**	**(65,377)**
1. Dividends to shareholders	(54,895)	(63,539)
2. Interest paid		
3. Subordinated liabilities		
4. Payments through return of contributions to shareholders		
5. Apportionments and return of contributions to members		
6. Acquisition of own securities		
7. Other payments related to financing activities	(1,838)	(1,838)
8. Total cash payments from financing activities (1+2+3+4+5+6+7) = IX	(56,733)	(65,377)
C.3) TOTAL NET CASH FLOWS FROM INVESTING ACTIVITIES (VIII – IX)	**(56,733)**	**(65,377)**
Effect of exchange rate fluctuations (X)		(2)
TOTAL INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (A.3 + B.3 + C.3 + - X)	**57,998**	**29,590**
Cash and cash equivalents at beginning of period	**62,364**	**32,796**
Cash and cash equivalents at end of period	**120,362**	**62,364**
1. Cash at bank and in hand	56,489	38,399
2. Other financial assets	63,873	23,965
3. Bank overdrafts repayable on demand		
TOTAL	**120,362**	**62,364**

(FIGURES IN EUROS 000)



7

Companies making up the Reinsurance Unit

MAPFRE RE
Paseo de Recoletos, 25
28004 MADRID, SPAIN
Tel. 34. 91581 1600
Fax. 34 91 709 7461

MAPFRE RE DO BRASIL
Rua Olimpiadas 242, 5º
Vila Olimpia
SÃO PAULO, BRASIL
SP 04551-000
Tel. 55 11 3040 1900
Fax 55 11 3040 1940

CAJA REASEGURADORA DE CHILE
Avda. Apoquindo, nº 4499
Las Condes – SANTIAGO DE CHILE
CHILE
Tel. 56 2 338 1304
Fax. 56 2 206 4095

C.I.A.R.
Rue de Trèves, 45 –Bte. I
1040 BRUSSELS, BELGIUM
Tel. 32.2.2371011
Fax. 32 2 2306785

8

Offices, geographical distribution and person in charge

ATHENS
Mr. Antonis Dimitrakis
473, Mesogion Av.
Agia Paraskevi,
15343 ATHENS - GREECE
Tel. 30 210 654 8138
Fax. 30 210 654 1686

BUENOS AIRES
Mr. Alberto Ávila
Torre Bouchard
Bouchard, 547 – Piso 14º.
1106 BUENOS AIRES
ARGENTINA
Tel. 54 11 4114 0800
Fax. 54 11 4114 0899

LONDON
Mr. Javier San Basilio
Alpha House - 4th floor,
24a, Lime Street,
LONDON EC3M 7HS
UNITED KINGDOM
Tel. 44 20 7283 7877
Fax. 44 20 7283 091

BOGOTA
Mr. Guillermo Espinosa
Calle 72 Nº 10-07 Of. 502, BOGOTA,
COLOMBIA
Tel. 57 1 326 4626
Fax. 57 1 326 4616

CARACAS
Mr. Faustino Pérez
Centro Comercial San Ignacio
Torre Copérnico – Piso 7º
Of. 701
Los Chaguaramos,
La Castellana 1060 CARACAS
VENEZUELA
Tel. 58 212 266 3777
Fax. 58 212 262 2172

MANILA
Mr. George Duque
11th Floor, 6750 Office Tower
Ayala Avenue
Makati City 1226 – MANILA
PHILIPPINES
Tel. 63 2 815 8286
Fax. 63 2 817 3298

BRUSSELS
D. Patrick Teles
45 Rue de Trèves – Bte.I
1040 BRUSSELS
BELGIUM
Tel. 32 2 237 1011
Fax. 32 2 230 6785

LISBON
Mrs. Ana Paula Viegas
Avda. Liberdade, 40 – 7º
1250-145 LISBON
PORTUGAL
Tel. 351 21 342 0498
Fax. 351 21 342 1047

MEXICO
Mr. Faustino Pérez
Porfirio Díaz Nº 102 –201
Col. Nochebuena
03270 MEXICO D.F.
Tel. 52 55 5480 3880
Fax. 52 55 54803871

MILAN
Mr. Edoardo Radaelli
Via Privata Mangili, 2
20121 MILAN, ITALY
Tel. 39 02 655 4412
Fax. 39 02 659 8201

NEW JERSEY
Mr. Carlos Sanzo
100 Campus Drive
Florham Park, NJ 07932-1006
U.S.A.
Tel. 1.973. 443 0443
Fax. 1 973 443 0450

SÃO PAULO
Mr. Bosco Francoy
Rua Olimpiadas 242, 5º
Vila Olimpia
SP 04551-000 SÃO PAULO
BRAZIL
Tel. 55 11 3040 1900
Fax 55 11 3040 1940

MUNICH
Mr. Mark Meyerhoff
Alter Hof 5
80331 MUNICH
GERMANY
Tel: 49 89 1589222 05
Fax. 49 89 1589222 22

SANTIAGO DE CHILE
Mr. Marcelo Ulloa.
Avda. Apoquindo, nº 4499 - 8º
Las Condes
SANTIAGO DE CHILE
Tel. 56.2 338 1304
Fax. 56 2 206 4063

TORONTO
Chief Agent :
Mrs. V. Lorraine Williams
3650 Victoria Park Ave
Suite 201
Toronto, ONTARIO M2H 3P7 - CANADA
Tel. 1 416 496 1148
Fax. 1 416 496 1089

Design and layout: **TAU DISEÑO**
WWW.TAUDESIGN.COM

Printed by: **MONTERREINA**

MAPFRE contributes to the preservation of the environment. This report has been printed using environmentally friendly processes and on ecological and chlorine-free paper.

FSC
Fuentes Mixtas

MAPFRE

mapfre.com
mapfrere.com