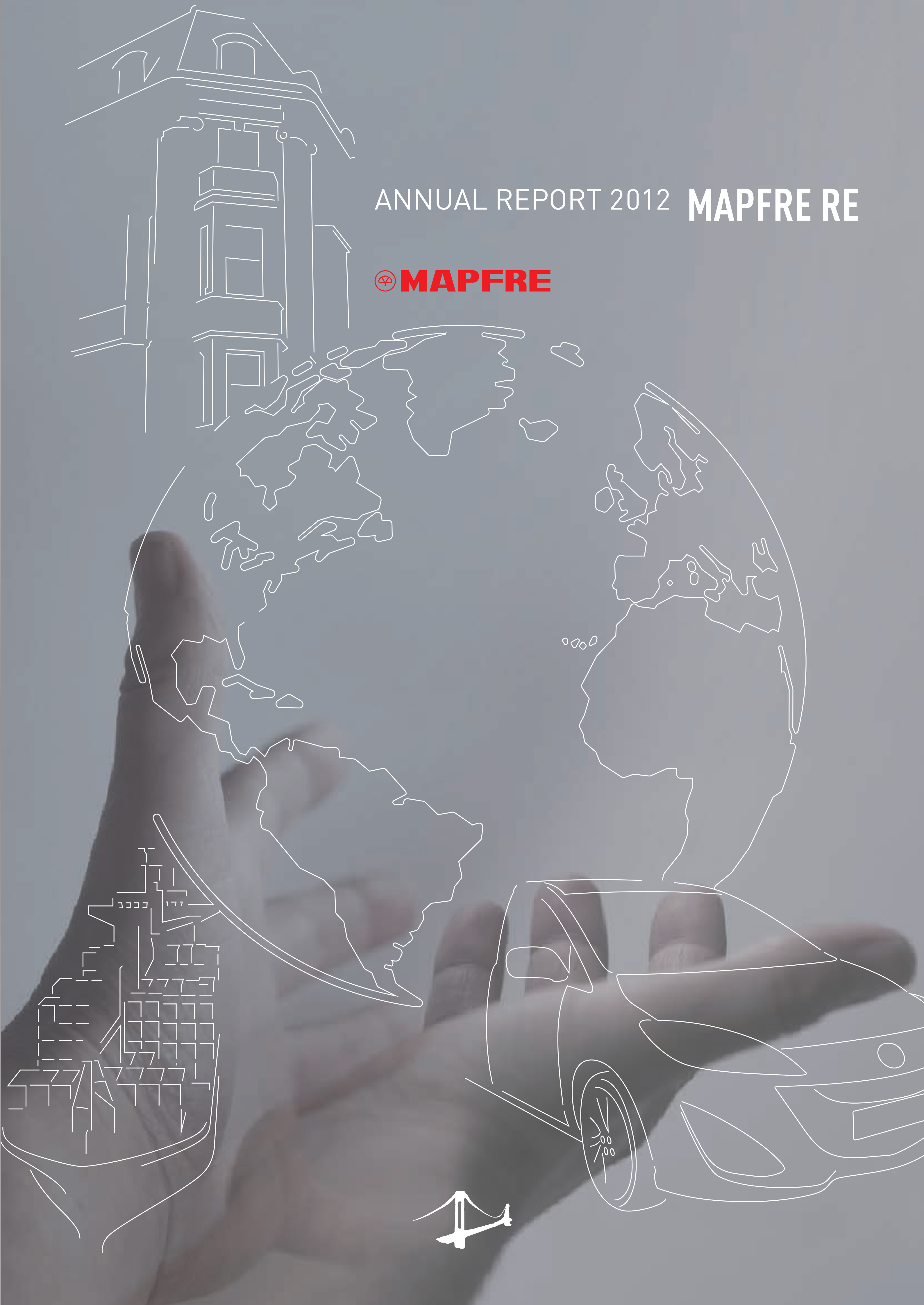
# ANNUAL REPORT 2012 MAPFRE RE

MAPFRE



# ANNUAL REPORT 2012 MAPFRE RE

MAPFRE

# *Contents*

# 1
# *Governing bodies*

| BOARD OF DIRECTORS | | Compliance Committee | Compliance Committee |
|---|---|---|---|
| CHAIRMAN | *Mr. Pedro de Macedo* | Chairman | |
| VICE-CHAIRMAN | *Mr. Matías Salvá* | Vice-Chairman | Chairman |
| MEMBERS | *Mr. Ángel Alonso* | | |
| | *Mr. Ricardo Blanco* | | |
| | *Mr. Rafael Casas* | | |
| | *Mr. José Ignacio Fanego** | | |
| | *Mr. Leopoldo Alvear*** | | |
| | *Mr. Javier Fernández-Cid* | Member | |
| | *Mr. Lorenzo Garagorri* | | |
| | *Mr. Philippe Hebeisen (Vaudoise Assurances Holding)* | | |
| | *Mr. Pedro López* | Member | |
| | *Mr. Rick L. Means (Shelter Mutual Insurance Company)* | | |
| | *Mr. Juan Antonio Pardo**** | | |
| | *Mr. Eduardo Pérez de Lema**** | Member | |
| | *Mr. Claudio Ramos* | Member | |
| | *Mr. Giovanni Battista Mazzuchelli (Società Cattolica di Assicurazione)* | | |
| | *Mr. Gregorio Robles* | | Member |
| | *Mr. Francisco Ruiz* | | Member |
| | *Mr. Rafael Senén* | | |
| | *Mr. Domingo Sugranyes* | Member | |
| | *Mr. Michael H. Tripp (Ecclesiastical Insurance Office)* | | |
| SECRETARY | *Juan Martín Sanz* | Secretary | |

It includes the appointments and re-elections that will be submitted to the General Meeting.

*  For PARTICIPACIONES Y CARTERA DE INVERSIÓN, S.L.
**  For MEDIACIÓN Y DIAGNÓSTICOS, S.A.
*** As of April 7, 2013 the Director Juan Antonio Pardo will step down, having reached the regulatory age, and will be substituted by Eduardo Pérez de Lema.

# 2
# *Consolidated management report 2012*

MAPFRE RE has maintained an intense activity during 2012, achieving positive earnings, an outstanding increase in underwritten premiums and a significant increase in shareholders' equity.

Up until the third quarter, the reinsurance market has not recorded any large catastrophes. This has allowed reinsurers to present important increases in gains with regard to the same period of the previous year, which was affected by intense catastrophic losses. Hurricane Sandy, which affected the East Coast of the United States, has caused immense damage, but the losses for the reinsurance market as a whole shall be assumed by the income statement for the year. The decrease in financial income and fluctuations in the value of some assets, especially in Europe, should also be considered.

## Main Activities

• MAPFRE RE has continued developing intense activity throughout the year from both its central offices, as well as offices abroad; reinforcing contacts with all its clients and brokers.

• During 2012 MAPFRE RE has continued reinforcing its team of human resources with qualified personnel, in order to provide more efficient service to its clients and handle the increasing technical complexity of the reinsurance business. Furthermore, both the employees at headquarters and the offices have participated in training programmes, most notably Advance and the Executive Development Programme (EDP) in English and Spanish, and the MAPFRE Integration Programme (MIP).

• An intense campaign of training courses offered to clients has continued being developed, most notably the International Seminar held in Madrid, with participants from 12 countries; an agricultural insurance seminar in Colombia; a seminar supporting the technical development of a Turkish Pool of Agricultural Insurance; a seminar on Solvency II in Spain that was attended by 52 people; and together with FUNDACIÓN MAPFRE, a course on Advanced Specialization in Life and Health Insurance, which involved the joint participation of 25 people from 11 countries. A reinsurance course was also held, one part e-learning and the other in person, in which 62 people were registered from cedent companies in Chile, Argentina, Venezuela, Colombia and Brazil. The important collaboration with ITSEMAP has also continued, offering a total of 12 courses in person and one e-learning to clients from 11 countries in Europe and America with the participation of a total of 436 people.

• The Entity continues intense preparations for the future entry into force of Solvency II, adapting its computer systems, accounting, statistics and actuarials. Furthermore, it continues participating in the European Insurance Chief Financial Officers Forum. Meetings with the General Directorate of Insurance and Pension Funds have been maintained in order to advance the assessment of the Internal Capital Model.

• Since the end of 2011 and 2012, the Standard & Poor's rating agency has been releasing strong downgrades on the ratings of all Spanish entities, along with the downgrade to the rating of the Spanish Kingdom, justifying its decisions on exposure to country risk. Nevertheless, MAPFRE RE has achieved a rating of "BBB +," a rating that is two levels above the country's rating.

AM Best does not impose maximum limits based on country risk. Their criterion is to assess risk management and the geographical diversification of each entity and carry out individual impairment tests. MAPFRE RE was subject to two very demanding impairment tests and in both cases it has maintained its "A" rating.

• MAPFRE RE has recognized the impairment of some of its investments in the fiscal year. Nevertheless, the shareholders' equity and earnings at the close of the fiscal year have increased with regard to the previous year.

• As mentioned earlier, Hurricane Sandy has caused considerable damage. This catastrophic event will have an estimated gross and net impact on the entity of about €57 million.

## Subsidiary and Affiliate Companies

The affiliate companies in Chile, MAPFRE CHILE REASEGUROS and INVERSIONES IBÉRICAS have obtained income for the amount of €7.3 million and earnings before taxes of €1.2 million. Their shareholders' equity is situated at €62.3 million at the close of the fiscal year.

MAPFRE RE DO BRASIL, which continues its positive trend, has obtained income of €58.8 million and earnings before taxes of €12.2 million. Their shareholders' equity is situated at €42.1 million at the close of the fiscal year.

## Outlook

The uncertainty regarding concrete and coordinated policy solutions for the sovereign debt crisis and growth, which during 2012 has diverted investments in bonds considered to be low risk and of little or no profitability, the flow of liquidity poured into the market by the central banks of Japan, the United States, the United Kingdom and the Central Bank of Europe, and the lowering of interests shall maintain the volatility of the financial market. The lowered returns expected from investments and the possible capital losses that may be derived from the volatility of these markets, as well as the sovereign debt situation, in which the sector has a large part of its investments, shall affect the insurance and reinsurance market, which should obtain a positive technical result.

Most reinsurers have begun 2013 with good earnings and increasing capitalization allied with reinsurance capital market interest, which creates much available capacity.

Because of its solvency, professionalism and credibility before its clients and brokers, MAPFRE RE is well positioned to meet these challenges with success.

## Subsequent events

Up until the closing of this report there have been no noteworthy events that could affect either the outlook or the budgets for the current year.

There have been no subsequent events that could affect the financial statements as of December 31, 2012.

## Proposed resolutions

• Approval of the Individual Annual Accounts for the 2012 financial year and of the following profit distribution proposal contained in the Annual Report:

| DISTRIBUTION BASIS | |
|---|---|
| Profit and Loss | 97,471,145 |
| Retained earnings | 321,338,313 |
| **TOTAL** | **418,809,458** |
| **Distribution** | |
| Dividend | 56,340,233 |
| Donations to FUNDACIÓN MAPFRE | 1,514,000 |
| Retained earnings | 360,955,225 |
| **TOTAL** | **418,809,458** |

AMOUNT IN EUROS

• The proposal involves the distribution of a dividend of €0.78 gross for share numbers 1 to 72,231,068 inclusive, that was fully paid in advance by resolution of the Board of Directors.

• Approval of the Consolidated Financial Statements for the 2012 financial year.

• Approval of the Board of Directors' management during the 2012 financial year.

• Agreement to a donation of €1,514,000 being made to the FUNDACIÓN MAPFRE, 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 2013 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.

• Re-election of the Board Members Ángel Alonso, Ricardo Blanco and Philippe Hebeisen for a new four-year term of office. Re-elect Director Juan Antonio Pardo until April 7, 2013, the date he will step down automatically for reaching the maximum regulatory age set by the bylaws. Name as the new Director of the entity for a tenure of four years, Eduardo Pérez de Lema, taking effect as of April 7, 2013.

• 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.

# Financial and statistical information

## Reinsurance unit

| IFRS INCOME STATEMENT | 2012 | 2011 | Var. % 12/11 | Var. % 11/10 |
|---|---|---|---|---|
| **ASSUMED (INWARD) REINSURANCE** | | | | |
| **Assumed premium** | **2,844.5** | **2,630.7** | **8%** | **11%** |
| Earned premium for the year | 2,785.8 | 2,614.8 | 7% | 16% |
| Incurred loss (includes claims-related expenses) | (1,708.8) | (1,801.9) | (5%) | (3%) |
| Operating costs and other underwriting expenses | (721.6) | (654.0) | 10% | 16% |
| **ASSUMED REINSURANCE RESULTS** | **355.4** | **158.9** | **124%** | **(196%)** |
| **RETROCEDED REINSURANCE** | | | | |
| Premiums and change in unearned premium reserve | (999.6) | (866.2) | 15% | 12% |
| Claims paid and change in claims reserve | 481.6 | 543.4 | (11%) | (37%) |
| Commission and participations | 206.0 | 159.5 | 29% | 15% |
| **RETROCEDED REINSURANCE RESULTS** | **(312.0)** | **(163.2)** | **91%** | **(169%)** |
| Other income and underwriting expenses | (0.7) | (0.6) | 4% | (19%) |
| **RESULTS OF LIFE AND NON-LIFE TECHNICAL ACCOUNTS** | **42.8** | **(4.9)** | **(968%)** | **(107%)** |
| Net investment income | 77.8 | 111.1 | (30%) | 8% |
| Unrealised investment gains and losses | 0.0 | 0.0 | - | - |
| Other non-underwriting income and expenses | 0.9 | (0.7) | (222%) | (130%) |
| Results from minority interests | (0.4) | 2.2 | (116%) | - |
| **RESULTS OF LIFE AND NON-LIFE BUSINESS** | **121.1** | **107.7** | **12%** | **(38%)** |
| **RESULT FROM OTHER ACTIVITIES** | **0.0** | **0.0** | **-** | **-** |
| **RESULT BEFORE TAX AND MINORITY INTERESTS** | **121.1** | **107.7** | **12%** | **(38%)** |
| Income tax | (34.0) | (29.1) | 17% | (41%) |
| Result after tax from discontinued operations | 0.0 | 0.0 | - | - |
| **RESULT AFTER TAX** | **87.1** | **78.6** | **11%** | **(37%)** |
| External partners | 0.0 | 0.0 | 0% | 0% |
| **RESULT AFTER TAX AND MINORITY INTERESTS** | **87.1** | **78.6** | **11%** | **(37%)** |

MILLION EUROS

| NON-LIFE INSURANCE RATIOS | 2012 | 2011 |
|---|---|---|
| Loss ratio of assumed (inward) reinsurance | 67.3% | 72.1% |
| Expense ratio of assumed (inward) reinsurance | 29.7% | 28.6% |
| Net combined ratio of retroceded reinsurance | 97.0% | 100.6% |

| DETAILS OF ASSUMED PREMIUM | 2012 | 2011 | Var. % 12/11 | Var. % 11/10 |
|---|---|---|---|---|
| Non-life | 2,383.1 | 2,261.4 | 5.4% | 5.4% |
| Life | 461.4 | 369.3 | 24.9% | 24.9% |
| **TOTAL** | **2,844.5** | **2,630.7** | **8.1%** | **8.1%** |

MILLION EUROS

| KEY BALANCE SHEET DATA (IFRS) | 2012 | 2011 | Var. % 12/11 | Var. % 11/10 |
|---|---|---|---|---|
| Financial investments and cash | 2,848.7 | 2,544.5 | 12.0% | 12.2% |
| Total assets | 4,612.9 | 4,363.5 | 5.7% | 6.7% |
| Equity | 968.6 | 847.7 | 14.3% | (0.1%) |
| ROE | 9.7% | 9.3% | 4.3% | (36.7%) |

MILLION EUROS

| HEDGING AND SOLVENCY DATA | 2012 | 2011 | Var. % 12/11 | Var. % 11/10 |
|---|---|---|---|---|
| Technical provisions to be hedged | 3,063.9 | 3,013.8 | 1.7% | 11.1% |
| Excess of suitable assets over reserves | 714.6 | 507.3 | 40.9% | (5.3%) |
| Minimum amount of (consolidated) solvency margin | 406.5 | 368.7 | 10.3% | 6.0% |
| (Consolidated) solvency margin | 968.6 | 847.4 | 14.3% | 0.7% |
| Number of times minimum amount | 2.4 | 2.3 | 3.7% | (5.0%) |

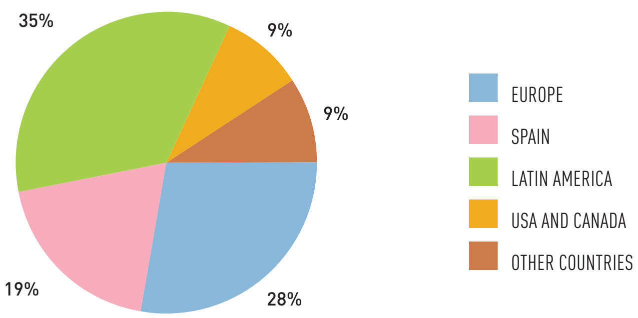
MILLION EUROS

| OTHER INFORMATION | 2012 | 2011 | Var. % 12/11 | Var. % 11/10 |
|---|---|---|---|---|
| Average number of employees | 307 | 290 | 5.9% | 0.0% |
| % commission on written premium from inward reinsurance | 26.6% | 26.4% | 0.8% | 0.4% |
| % internal management expenses on assumed premium | 1.3% | 1.4% | (7.1%) | 0.0% |

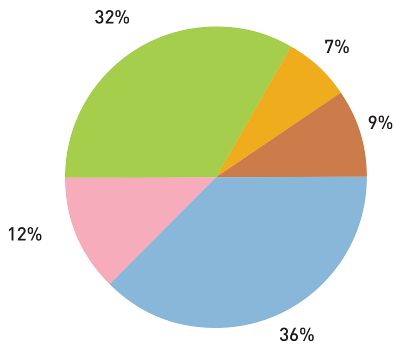
## Portfolio composition by accepted premium

## Portfolio composition by net earned

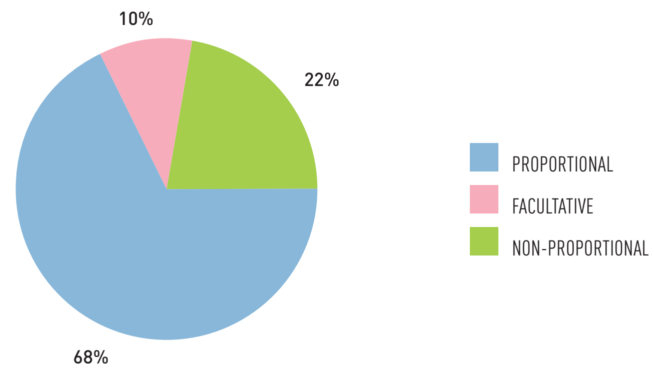
### GROSS PREMIUM ACCEPTED BY AREA



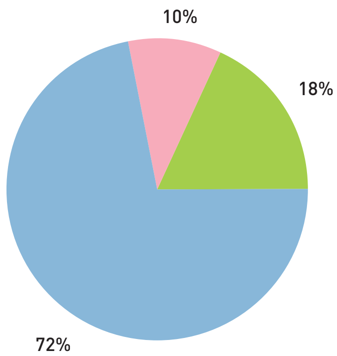

### NET PREMIUM EARNED BY EACH AREA




### GROSS PREMIUM ACCEPTED BY LINE OF BUSINESS

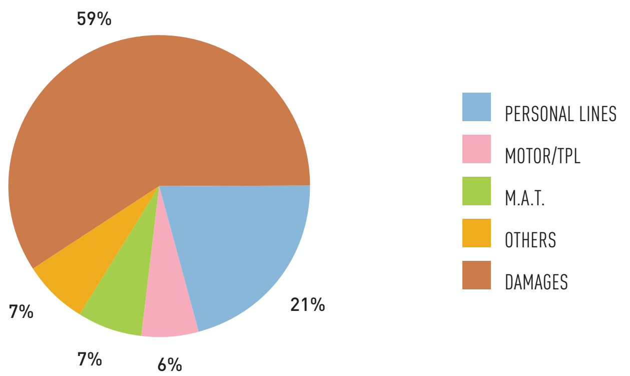



### NET PREMIUM EARNED BY LINE OF BUSINESS

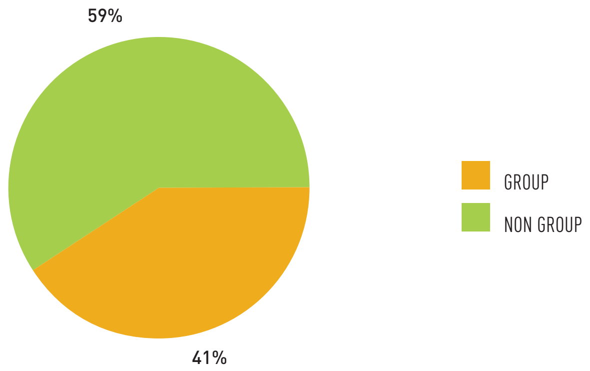


## Portfolio composition by accepted premium

GROSS PREMIUM ACCEPTED BY BRANCH

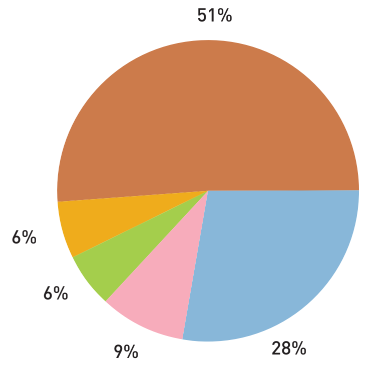



GROSS PREMIUM BY CEDENTS

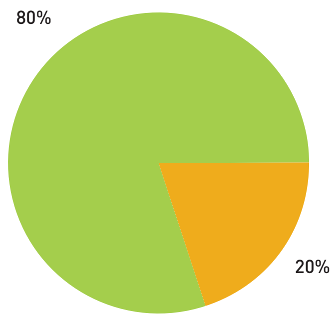



## Portfolio composition by earned net premium

NET PREMIUM EARNED BY BRANCH




NET PREMIUM EARNED BY CEDENTS




# 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 | 2012 | 2011 | 2010 |
|---|---|---|---|
| Managerial staff | 80 | 81 | 81 |
| Administrative staff | 88 | 84 | 87 |
| Sales staff | 9 | 9 | 9 |
| Miscellaneous | 125 | 126 | 115 |
| **TOTAL** | **302** | **300** | **292** |

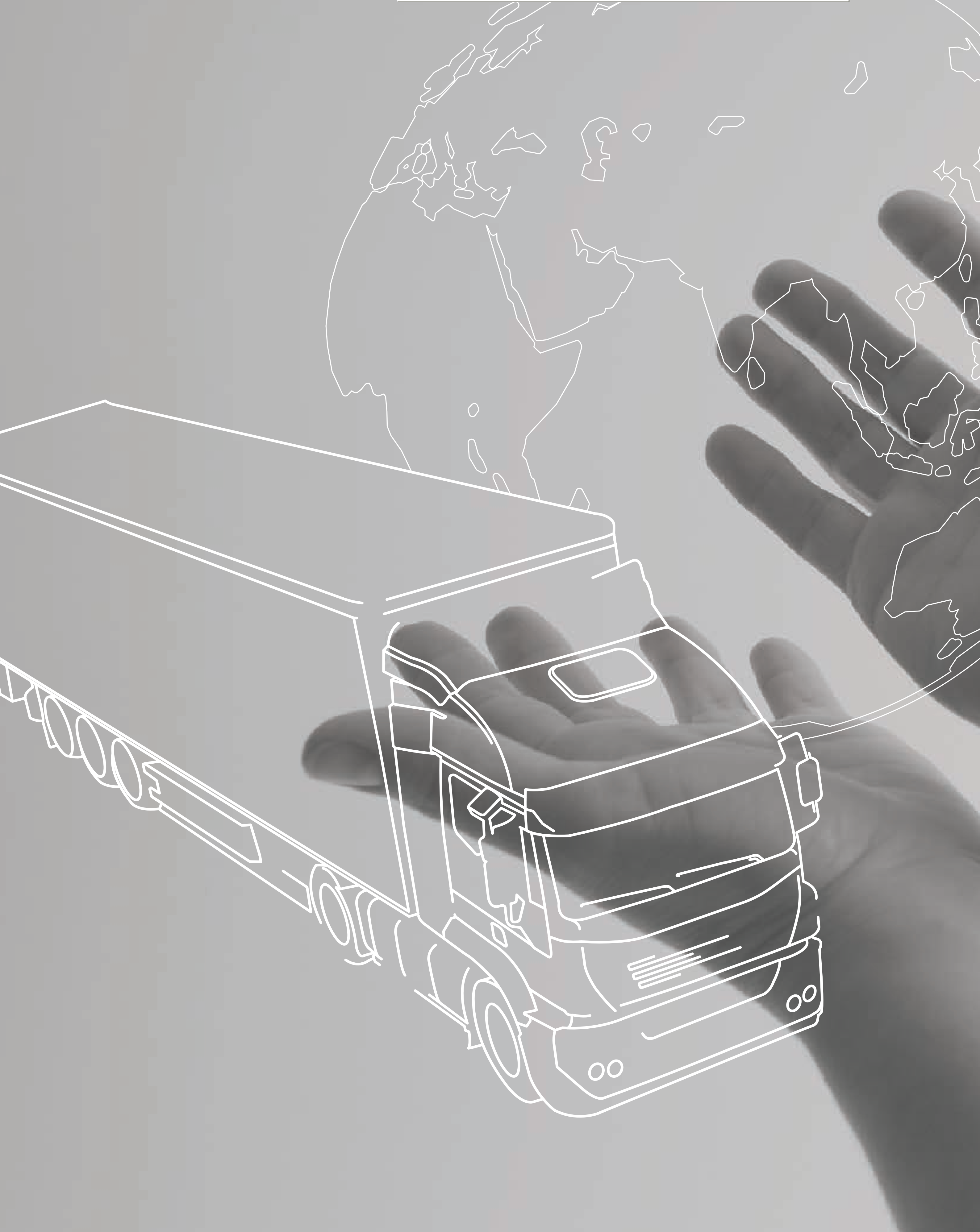
## Investments

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 2012*



## A) Consolidated balance sheet as at 31 December 2012 and 2011

| ASSETS | Notes | 2012 | 2011 |
|---|---|---|---|
| **A) INTANGIBLE ASSETS** | | **2,072** | **1,906** |
| I. Goodwill | | - | - |
| II. Other intangible assets | 6.1 | 2,072 | 1,906 |
| **B) PROPERTY, PLANT AND EQUIPMENT** | | **11,564** | **10,234** |
| I. Own-use property | 6.2 / 7D | 9,412 | 7,870 |
| II. Other property, plant and equipment | 6.2 | 2,152 | 2,364 |
| **C) INVESTMENTS** | | **3,081,570** | **2,747,903** |
| I. Investment property | 6.2 / 7D | 6,089 | 6,123 |
| II. Financial investments | | 2,652,847 | 2,249,764 |
| 1. Held-to-maturity portfolio | | - | - |
| 2. Available-for-sale portfolio | 6.4 / 7D | 2,616,226 | 2,217,867 |
| 3. Trading portfolio | 6.4 / 7D | 36,621 | 31,897 |
| III. Equity-method-accounted Investments | | 10,567 | 10,914 |
| IV. Deposits established for assumed reinsurance | | 365,370 | 336,084 |
| V. Other investments | 7D | 46,697 | 145,018 |
| **D) REINSURANCE'S SHARE OF TECHNICAL PROVISIONS** | **6.9** | **896,633** | **981,523** |
| **E) DEFERRED TAX ASSETS** | **6.17** | **11,553** | **43,164** |
| **F) LOANS AND RECEIVABLES** | **6.5 / 7B** | **310,942** | **266,755** |
| I. Credits arising out of reinsurance operations | 6.5 | 275,595 | 247,970 |
| II. Tax credits | 6.5 | 13,539 | 13,320 |
| 1. Income tax receivable | | - | - |
| 2. Other tax credits | | 13,539 | 13,320 |
| III. Corporate and other loans | 6.5 | 21,808 | 5,465 |
| **G) CASH AT BANK AND IN HAND** | **6.7 / 7B/ 7C** | **149,192** | **149,730** |
| **H) ACCRUALS** | | **149,337** | **150,510** |
| **I) OTHER ASSETS** | | **1** | **11,755** |
| **TOTAL ASSETS** | | **4,612,864** | **4,363,480** |

(FIGURES IN €000)

| EQUITY AND LIABILITIES | Notes | 2012 | 2011 |
|---|---|---|---|
| **A) EQUITY** | | **968,567** | **847,661** |
| I. Paid-up capital | 6.8 | 223,916 | 223,916 |
| II. Reserves | 6.8 | 344,254 | 334,826 |
| III. Own shares | | - | - |
| IV. Valuation adjustment reserves | 6.8 | 10,809 | (79,210) |
| V. Translation differences | 6.19 | 29,655 | 29,361 |
| VI. Retained earnings | | 359,907 | 338,742 |
| 1. Unallocated retained earnings from prior years | | 329,152 | 285,429 |
| 2. Result for the year attributable to the Parent Company | 4.1 | 87,095 | 78,594 |
| 3. Interim dividends | 4.2 | (56,340) | (25,281) |
| **Equity attributable to the Parent Company's shareholders** | | **968,541** | **847,635** |
| **Minority interests** | | **26** | **26** |
| **B) SUBORDINATED LIABILITIES** | | | |
| **C) TECHNICAL PROVISIONS** | **6.9** | **3,213,192** | **3,163,514** |
| I. Provisions for unearned premiums and unexpired risks | 6.9/7C | 1,156,306 | 1,152,159 |
| II. Provision for life insurance | 6.9/7C | 257,656 | 200,896 |
| III. Provision for claims | 6.9/7C | 1,799,230 | 1,810,459 |
| IV. Provisions for bonuses and rebates | | - | - |
| **D) PROVISIONS FOR CONTINGENCIES AND CHARGES** | **6.10** | **1,914** | **1,756** |
| **E) DEPOSITS RECEIVED ON CEDED (OUTWARD) AND RETROCEDED REINSURANCE** | **6.11** | **72,837** | **79,500** |
| **F) DEFERRED TAX LIABILITIES** | **6.17** | **11,381** | **3,611** |
| **G) PAYABLES** | **6.12** | **273,668** | **185,127** |
| I Payables arising out of reinsurance operations | 6.12/7C | 242,248 | 162,479 |
| II. Tax liabilities | 6.12 | 19,963 | 15,608 |
| 1. Income tax payable | | - | - |
| 2. Other tax payables | | 19,963 | 15,608 |
| III. Other payables | 6.12 | 11,457 | 7,040 |
| **H) ACCRUALS** | | **71,305** | **82,311** |
| **TOTAL EQUITY AND LIABILITIES** | | **4,612,864** | **4,363,480** |

(FIGURES IN €000)

## B) Global consolidated income statement for the fiscal years ended 31 December 2012 and 2011

### B.1 Consolidated income statement

| ITEM | Notes | 2012 | 2011 |
|---|---|---|---|
| **I.INCOME FROM INSURANCE BUSINESS** | | | |
| 1. Net earned premiums for the year | | 1,786,216 | 1,748,655 |
| a) Written premium from direct insurance | | | (1) |
| b) Premium from assumed reinsurance | 7. A2 | 2,844,468 | 2,630,728 |
| c) Premium from ceded reinsurance | 6.16 | (994,428) | (846,550) |
| d) Change in net provisions for unearned premiums and unexpired risks | | (63,824) | (35,522) |
| Direct insurance | | | 12 |
| Assumed reinsurance | | (58,701) | (15,931) |
| Ceded reinsurance | 6.16 | (5,123) | (19,603) |
| 2. Share of profits of equity-accounted companies | | | 2,339 |
| 3. Income from investments | 6.14 | 158,294 | 153,097 |
| a) From operations | 6.14 | 141,956 | 123,152 |
| b) From equity | 6.14 | 16,338 | 29,945 |
| 4. Gains on investments on behalf of unit-linked life insurance policyholders | | | |
| 5. Other underwriting income | | 3 | 15 |
| 6. Other non-underwriting income | | 4,436 | 4,907 |
| 7. Foreign exchange gains | 6.19 | 239,728 | 254,956 |
| 8. Reversal of the asset impairment provision | 6.6/6.4 | 1,298 | |
| **TOTAL INCOME FROM INSURANCE BUSINESS** | | **2,189,975** | **2,163,969** |
| **II. EXPENSES FROM INSURANCE BUSINESS** | | | |
| 1. Net claims for the year | | (1,227,186) | (1,258,428) |
| a) Claims paid and change in the net claims provision | | (1,227,085) | (1,258,232) |
| Direct insurance | | | 372 |
| Assumed reinsurance | | (1,708,675) | (1,802,034) |
| Ceded reinsurance | 6.16 | 481,590 | 543,430 |
| b) Claims-related expenses | | (101) | (196) |
| 2. Change in other net technical provisions | | (2,359) | (656) |
| 3. Bonuses and rebates | | | |
| 4. Net operating expenses | 6.15 | (513,232) | (493,857) |
| a) Acquisition expenses | 6.15 | (709,309) | (644,530) |
| b) Administration expenses | 6.15 | (9,889) | (8,848) |
| c) Commission and participation in reinsurance | 6.15/6.16 | 205,966 | 159,521 |
| 5. Share of losses of equity-accounted companies | | (354) | |
| 6. Expenses from investments | 6.14 | (51,624) | (28,599) |
| a) From operations | 6.14 | (46,476) | (18,421) |
| b) From equity and financial accounts | 6.14 | (5,148) | (10,178) |
| 7. Losses on investments on behalf of unit-linked life insurance policyholders | | | |
| 8. Other underwriting expenses | | (669) | (658) |
| 9. Other non-underwriting expenses | | (3,568) | (5,620) |
| 10. Foreign exchange losses | 6.19 | (239,122) | (258,738) |
| 11. Allocation to the asset impairment provision | 6.4/6.6 | (30,761) | (9,724) |
| **TOTAL EXPENSES FROM INSURANCE BUSINESS** | | **(2,068,875)** | **(2,056,280)** |
| **III. RESULT OF INSURANCE BUSINESS** | | **121,100** | **107,689** |
| **IV. RESULT BEFORE TAX FROM CONTINUING OPERATIONS** | **6.17** | **121,100** | **107,689** |
| **V. INCOME TAX ON CONTINUING OPERATIONS** | **6.17** | **(34,004)** | **(29,095)** |
| **VI. RESULT AFTER TAX FROM CONTINUING OPERATIONS** | | **87,096** | **78,594** |
| **VII. RESULT AFTER TAX FROM DISCONTINUED OPERATIONS** | | | |
| **VIII. RESULT FOR THE YEAR** | | **87,096** | **78,594** |
| 1. Attributable to minority interests | | (1) | - |
| 2. Attributable to the Parent Company | | 87,095 | 78,594 |

(FIGURES IN €000)

## B.2 Consolidated statement of recognised income and expenses

| ITEM | GROSS AMOUNT 2012 | GROSS AMOUNT 2011 | INCOME TAX 2012 | INCOME TAX 2011 | ATTRIBUTABLE TO MINORITY INTERESTS 2012 | ATTRIBUTABLE TO MINORITY INTERESTS 2011 | ATTRIBUTABLE TO THE PARENT COMPANY 2012 | ATTRIBUTABLE TO THE PARENT COMPANY 2011 |
|---|---|---|---|---|---|---|---|---|
| **A) CONSOLIDATED RESULT FOR THE YEAR** | 121,100 | 107,689 | (34,004) | (29,095) | (1) | - | 87,095 | 78,594 |
| **B) OTHER RECOGNISED INCOME (EXPENSES)** | 128,308 | (38,058) | (37,995) | 8,878 | | (4) | 90,313 | (29,184) |
| **1. Available-for-sale financial assets** | 127,684 | (29,466) | (37,799) | 8,941 | | | 89,885 | (20,525) |
| a) Valuation gains (losses) | 131,844 | (20,655) | (39,643) | 6,301 | | | 92,201 | (14,354) |
| b) Amounts transferred to the income statement | (4,160) | (8,811) | 1,844 | 2,640 | | | (2,316) | (6,171) |
| c) Other reclassifications | | | | | | | | |
| **2. Exchange differences** | 490 | (8,512) | (196) | (63) | | (4) | 294 | (8,579) |
| a) Valuation gains (losses) | 490 | (8,512) | (196) | (63) | | (4) | 294 | (8,579) |
| 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** | 134 | (80) | | | | | 134 | (80) |
| a) Valuation gains (losses) | 134 | (80) | | | | | 134 | (80) |
| b) Amounts transferred to the income statement | | | | | | | | |
| c) Other reclassifications | | | | | | | | |
| **5. Other recognised income and expenses** | | | | | | | | |
| **TOTALS** | 249,408 | 69,631 | (71,999) | (20,217) | (1) | (4) | 177,408 | 49,410 |

(FIGURES IN €000)

## C) Consolidated statement of changes in equity as at 31 December 2012 and 2011

| ITEM | Paid-up capital | Reserves | Own shares | Valuation adjustment reserves | Translation differences | Retained earnings | Minority interests | Total Equity |
|---|---|---|---|---|---|---|---|---|
| | EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY | | | | | | | |
| **BALANCE AS AT 1 JANUARY 2011** | 223,916 | 344,713 | 0 | (58,605) | 37,936 | 300,389 | 64 | 848,413 |
| I. Changes in accounting policies | | | | | | | | |
| II. Error corrections | | | | | | | | |
| **BALANCE AS AT 1 JANUARY 2011, RESTATED** | 223,916 | 344,713 | 0 | (58,605) | 37,936 | 300,389 | 64 | 848,413 |
| **CHANGES IN THE 2011 FINANCIAL YEAR** | | | | | | | | |
| **I. Results recognised directly into equity** | | | | | | | | |
| 1. From revaluations of property, plant and equipment and intangibles | | | | (20,525) | | | | (20,525) |
| 2. From available-for-sale investments | | | | | | | | |
| 3. From cash-flow hedges | | | | | (8,575) | | (4) | (8,579) |
| 4. From translation differences | | | | (80) | | | | (80) |
| 5. From other results recognised directly into equity | | | | | | | | |
| **Total results recognised directly into equity** | 0 | 0 | 0 | (20,605) | (8,575) | 0 | (4) | (29,184) |
| **II. Other results for the 2011 financial year** | | | | | | 78,594 | | 78,594 |
| **III. Distribution of the 2010 results (note 4.2)** | | | | | | (25,415) | | (25,415) |
| **IV. Interim dividend for 2011** | | | | | | (25,281) | | (25,281) |
| **V. Capital increase** | | | | | | | | |
| **VI. Capital not yet paid up** | | | | | | | | |
| **VII. Capital reduction** | | | | | | | | |
| **VIII. Other increases** | | | | | | 10,455 | | 10,455 |
| **IX. Other decreases** | | (9,887) | | | | | (34) | (9,921) |
| **TOTAL CHANGES IN THE 2011 FINANCIAL YEAR** | 0 | (9,887) | 0 | 0 | 0 | 38,353 | (34) | 28,432 |
| **BALANCE AS AT 31 DECEMBER 2011** | 223,916 | 334,826 | 0 | (79,210) | 29,361 | 338,742 | 26 | 847,661 |
| | | | | | | | | |
| I. Changes in accounting policies | | | | | | | | |
| II. Error corrections | | | | | | | | |
| **BALANCE AS AT 1 JANUARY 2012, RESTATED** | 223,916 | 334,826 | 0 | (79,210) | 29,361 | 338,742 | 26 | 847,661 |
| **CHANGES IN THE 2012 FINANCIAL YEAR** | | | | | | | | |
| **I. Results recognised directly into equity** | | | | | | | | |
| 1. From revaluations of property, plant and equipment and intangibles | | | | | | | | |
| 2. From available-for-sale investments | | | | 89,885 | | | | 89,885 |
| 3. From cash-flow hedges | | | | | | | | |
| 4. From translation differences | | | | | 294 | | | 294 |
| 5. From other results recognised directly into equity | | | | 134 | | | | 134 |
| **Total results recognised directly into equity** | 0 | 0 | 0 | 90,019 | 294 | 0 | 0 | 90,313 |
| **II. Other results for the 2012 financial year** | | | | | | 87,095 | | 87,095 |
| **III. Distribution of the 2011 results (note 4.2)** | | | | | | (2,301) | (1) | (2,302) |
| **IV. Interim dividend for 2012** | | | | | | (56,340) | | (56,340) |
| **V. Capital increase** | | | | | | | | |
| **VI. Capital not yet paid up** | | | | | | | | |
| **VII. Capital reduction** | | | | | | | | |
| **VIII. Other increases** | | 9,428 | | | | | 1 | 9,429 |
| **IX. Other decreases** | | | | | | (7,289) | | (7,289) |
| **TOTAL CHANGES IN THE 2012 FINANCIAL YEAR** | 0 | 9,428 | 0 | 0 | 0 | 21,165 | 0 | 30,593 |
| **BALANCE AS AT 31 DECEMBER 2012** | 223,916 | 344,254 | 0 | 10,809 | 29,655 | 359,907 | 26 | 968,567 |

(FIGURES IN €000)

The amounts for the concepts "Other increases" and "Other decreases" in the "Reserves" column and the amounts for the concepts "Other increases" and "Other decreases" in the "Retained earnings" column are mostly the result of earnings distribution from prior years and transfers made between them.

## D) Consolidated statement of cash flows for years ended 31 December 2012 and 2011

| ITEMS | 2012 | 2011 |
|---|---|---|
| Premium receipts | | |
| Payments on claims | | |
| Receipts from reinsurance operations | 591,746 | 500,794 |
| Payments on reinsurance operations | (332,730) | (209,357) |
| 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 | 2,111 | |
| Other operating payments | (70,963) | (49,132) |
| Corporation tax payments or receipts | (11,775) | (65,049) |
| **NET CASH FLOWS FROM OPERATING ACTIVITIES** | **178,389** | **177,256** |
| Acquisitions of intangible fixed assets | (766) | (921) |
| Acquisitions of property, plant and equipment | (2,179) | (677) |
| Acquisitions of investments and expenses on capital increases | (192,686) | (262,302) |
| Net cash paid by companies leaving the consolidation perimeter | | |
| Net cash collected from companies leaving the consolidation perimeter | | |
| Sales of fixed assets | 642 | 43,870 |
| Sales of investments | 197 | 26,647 |
| Interest collected | 69,176 | 79,432 |
| Other payments | | |
| Dividends collected | 5,204 | 6,227 |
| Receipts from loans and other financial instruments | 689 | 2,908 |
| Payments for loans and other financial instruments | | |
| **NET CASH FLOWS FROM INVESTING ACTIVITIES** | **(119,723)** | **(104,816)** |
| Dividends and donations paid | (58,641) | (50,696) |
| 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** | **(58,641)** | **(50,696)** |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | **25** | **21,744** |
| **Translation differences in cash flows and cash balances** | **(563)** | **(314)** |
| **OPENING CASH BALANCE** | **149,730** | **128,300** |
| **CLOSING CASH BALANCE** | **149,192** | **149,730** |

(FIGURES IN €000)

## E) Segment reporting – Consolidated balance sheet as at 31 December 2012 and 2011

| | LIFE REINSURANCE | | NON-LIFE REINSURANCE | | TOTAL | |
|---|---|---|---|---|---|---|
| **ASSETS** | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| **A) INTANGIBLE ASSETS** | **197** | **143** | **1,875** | **1,763** | **2,072** | **1,906** |
| I. Goodwill | | | | | | |
| II. Other intangible assets | 197 | 143 | 1,875 | 1,763 | 2,072 | 1,906 |
| **B) PROPERTY, PLANT AND EQUIPMENT** | **1,708** | **1,231** | **9,856** | **9,003** | **11,564** | **10,234** |
| I. Own-use property | 1,424 | 1,001 | 7,988 | 6,869 | 9,412 | 7,870 |
| II. Other property, plant and equipment | 284 | 230 | 1,868 | 2,134 | 2,152 | 2,364 |
| **C) INVESTMENTS** | **535,524** | **437,333** | **2,546,046** | **2,310,570** | **3,081,570** | **2,747,903** |
| I. Investment property | 2,050 | 1,938 | 4,039 | 4,185 | 6,089 | 6,123 |
| II. Financial investments | 359,166 | 267,183 | 2,293,681 | 1,982,581 | 2,652,847 | 2,249,764 |
| 1. Held-to-maturity portfolio | | | | | | |
| 2. Available-for-sale portfolio | 332,099 | 245,283 | 2,284,127 | 1,972,584 | 2,616,226 | 2,217,867 |
| 3. Trading portfolio | 27,067 | 21,900 | 9,554 | 9,997 | 36,621 | 31,897 |
| III. Equity-method-accounted Investments | 8,807 | 9,062 | 1,760 | 1,852 | 10,567 | 10,914 |
| IV. Deposits established for assumed reinsurance | 155,056 | 134,882 | 210,314 | 201,202 | 365,370 | 336,084 |
| V. Other investments | 10,445 | 24,268 | 36,252 | 120,750 | 46,697 | 145,018 |
| **D) REINSURANCE'S SHARE OF TECHNICAL PROVISIONS** | **38,259** | **36,729** | **858,374** | **944,794** | **896,633** | **981,523** |
| **E) DEFERRED TAX ASSETS** | **1,093** | **3,218** | **10,460** | **39,946** | **11,553** | **43,164** |
| **F) LOANS AND RECEIVABLES** | **35,572** | **22,983** | **275,370** | **243,772** | **310,942** | **266,755** |
| I. Credits arising out of reinsurance operations | 29,933 | 20,926 | 245,662 | 227,044 | 275,595 | 247,970 |
| II. Tax credits | 1,889 | 1,097 | 11,650 | 12,223 | 13,539 | 13,320 |
| III. Corporate and other loans | 3,750 | 960 | 18,058 | 4,505 | 21,808 | 5,465 |
| **G) CASH AT BANK AND IN HAND** | **22,966** | **19,536** | **126,226** | **130,194** | **149,192** | **149,730** |
| **H) ACCRUALS** | **4,733** | **5,059** | **144,604** | **145,451** | **149,337** | **150,510** |
| **I) OTHER ASSETS** | | **876** | **1** | **10,879** | **1** | **11,755** |
| **J) NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS** | | | | | | |
| **TOTAL ASSETS BY SEGMENT** | 640,052 | 527,108 | 3,972,812 | 3,836,372 | 4,612,864 | 4,363,480 |

(FIGURES IN €000)

| EQUITY AND LIABILITIES | LIFE REINSURANCE 2012 | LIFE REINSURANCE 2011 | NON-LIFE REINSURANCE 2012 | NON-LIFE REINSURANCE 2011 | TOTAL 2012 | TOTAL 2011 |
|---|---|---|---|---|---|---|
| **A) EQUITY** | **153,149** | **126,137** | **815,418** | **721,524** | **968,567** | **847,661** |
| I. Paid-up capital | 21,192 | 16,695 | 202,724 | 207,221 | 223,916 | 223,916 |
| II. Reserves | 79,633 | 60,809 | 264,621 | 274,017 | 344,254 | 334,826 |
| III. Own shares | | | | | | |
| IV. Valuation adjustment reserves | 3,099 | (3,445) | 7,710 | (75,765) | 10,809 | (79,210) |
| V. Translation differences | 9,623 | 5,830 | 20,032 | 23,531 | 29,655 | 29,361 |
| VI. Retained earnings | 39,576 | 46,222 | 320,331 | 292,520 | 359,907 | 338,742 |
| **Equity attributable to the Parent Company's shareholders** | **153,123** | **126,111** | **815,418** | **721,524** | **968,541** | **847,635** |
| **Minority interests** | **26** | **26** | | | **26** | **26** |
| **B) SUBORDINATED LIABILITIES** | | | | | | |
| **C) TECHNICAL PROVISIONS** | **439,603** | **364,351** | **2,773,589** | **2,799,163** | **3,213,192** | **3,163,514** |
| I. Provisions for unearned premiums and unexpired risks | | | 1,156,306 | 1,152,159 | 1,156,306 | 1,152,159 |
| II. Provisions for life insurance | 257,656 | 200,896 | | | 257,656 | 200,896 |
| III. Provisions for outstanding claims | 181,947 | 163,455 | 1,617,283 | 1,647,004 | 1,799,230 | 1,810,459 |
| IV. Provisions for bonuses and rebates | | | | | | |
| V. Other technical provisions | | | | | | |
| **D) PROVISIONS FOR CONTINGENCIES AND CHARGES** | **181** | **131** | **1,733** | **1,625** | **1,914** | **1,756** |
| **E) DEPOSITS RECEIVED ON CEDED (OUTWARD) AND RETROCEDED REINSURANCE** | **7,994** | **10,718** | **64,843** | **68,782** | **72,837** | **79,500** |
| **F) DEFERRED TAX LIABILITIES** | **1,642** | **844** | **9,739** | **2,767** | **11,381** | **3,611** |
| **G) PAYABLES** | **31,110** | **18,860** | **242,558** | **166,267** | **273,668** | **185,127** |
| I. Payables arising out of reinsurance operations | 22,716 | 14,509 | 219,532 | 147,970 | 242,248 | 162,479 |
| II. Tax payables | 2,532 | 1,212 | 17,431 | 14,396 | 19,963 | 15,608 |
| III. Other payables | 5,862 | 3,139 | 5,595 | 3,901 | 11,457 | 7,040 |
| **H) ACCRUALS** | **6,373** | **6,067** | **64,932** | **76,244** | **71,305** | **82,311** |
| **I) LIABILITIES ASSOCIATED WITH NON-CORRESPONDING ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS** | | | | | | |
| **TOTAL EQUITY AND LIABILITIES BY SEGMENT** | 640,052 | 527,108 | 3,972,812 | 3,836,372 | 4,612,864 | 4,363,480 |

(FIGURES IN €000)

## E) Segment reporting – Consolidated income statement for the years ended 31 December 2012 and 2011

| | LIFE REINSURANCE | | NON-LIFE REINSURANCE | | TOTAL | |
|---|---|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| **I. INCOME FROM INSURANCE BUSINESS** | | | | | | |
| 1. Net earned premiums for the year | 321,224 | 280,161 | 1,464,992 | 1,468,494 | 1,786,216 | 1,748,655 |
| a) Written premium from direct insurance | | | | (1) | | (1) |
| b) Premium from assumed reinsurance | 461,372 | 369,334 | 2,383,096 | 2,261,394 | 2,844,468 | 2,630,728 |
| c) Premium from ceded reinsurance | (91,435) | (78,058) | (902,993) | (768,492) | (994,428) | (846,550) |
| d) Change in net provisions for unearned premiums and unexpired risks | (48,713) | (11,115) | (15,111) | (24,407) | (63,824) | (35,522) |
| Direct insurance | | | | 12 | | 12 |
| Assumed reinsurance | (49,336) | (24,345) | (9,365) | 8,414 | (58,701) | (15,931) |
| Ceded reinsurance | 623 | 13,230 | (5,746) | (32,833) | (5,123) | (19,603) |
| 2. Share of profits of equity-accounted companies | | 2,285 | | 54 | | 2,339 |
| 3. Income from investments | 33,291 | 32,143 | 125,003 | 120,954 | 158,294 | 153,097 |
| a) From operations | 26,932 | 25,202 | 115,024 | 97,950 | 141,956 | 123,152 |
| b) From equity | 6,359 | 6,941 | 9,979 | 23,004 | 16,338 | 29,945 |
| 4. Unrealised gains on investments on behalf of unit-linked life insurance policyholders | | | | | | |
| 5. Other underwriting income | 3 | 15 | | | 3 | 15 |
| 6. Other non-underwriting income | 341 | 760 | 4,095 | 4,147 | 4,436 | 4,907 |
| 7. Foreign exchange gains | 30,114 | 24,381 | 209,614 | 230,575 | 239,728 | 254,956 |
| 8. Reversal of the asset impairment provision | | | 1,298 | | 1,298 | |
| **TOTAL INCOME FROM INSURANCE BUSINESS** | **384,973** | **339,745** | **1,805,002** | **1,824,224** | **2,189,975** | **2,163,969** |
| **II. EXPENSES FROM INSURANCE BUSINESS** | | | | | | |
| 1. Net claims for the year | (240,813) | (200,224) | (986,373) | (1,058,204) | (1,227,186) | (1,258,428) |
| a) Claims paid and change in the net claims provision | (240,797) | (200,211) | (986,288) | (1,058,021) | (1,227,085) | (1,258,232) |
| Direct insurance | | | | 372 | | 372 |
| Assumed reinsurance | (284,351) | (230,343) | (1,424,324) | (1,571,691) | (1,708,675) | (1,802,034) |
| Ceded reinsurance | 43,554 | 30,132 | 438,036 | 513,298 | 481,590 | 543,430 |
| b) Claims-related expenses | (16) | (13) | (85) | (183) | (101) | (196) |
| 2. Change in other net technical provisions | (2,359) | (656) | | | (2,359) | (656) |
| 3. Bonuses and rebates | | | | | | |
| 4. Net operating expenses | (78,486) | (74,159) | (434,746) | (419,698) | (513,232) | (493,857) |
| a) Acquisition expenses | (121,230) | (101,858) | (588,079) | (542,672) | (709,309) | (644,530) |
| b) Administration expenses | (1,969) | (1,897) | (7,920) | (6,951) | (9,889) | (8,848) |
| c) Commission and participation in reinsurance | 44,713 | 29,596 | 161,253 | 129,925 | 205,966 | 159,521 |
| 5. Share of losses of equity-accounted companies | (310) | | (44) | | (354) | |
| 6. Expenses from investments | (5,096) | (3,182) | (46,528) | (25,417) | (51,624) | (28,599) |
| a) From operations | (4,717) | (2,435) | (41,759) | (15,986) | (46,476) | (18,421) |
| b) From equity and financial accounts | (379) | (747) | (4,769) | (9,431) | (5,148) | (10,178) |
| 7. Unrealised losses on investments on behalf of unit-linked life insurance policyholders | | | | | | |
| 8. Other underwriting expenses | (669) | (658) | | | (669) | (658) |
| 9. Other non-underwriting expenses | (304) | (979) | (3,264) | (4,641) | (3,568) | (5,620) |
| 10. Foreign exchange losses | (25,755) | (21,148) | (213,367) | (237,590) | (239,122) | (258,738) |
| 11. Allocation to the asset impairment provision | (3,307) | (604) | (27,454) | (9,120) | (30,761) | (9,724) |
| **TOTAL EXPENSES FROM INSURANCE BUSINESS** | **(357,099)** | **(301,610)** | **(1,711,776)** | **(1,754,670)** | **(2,068,875)** | **(2,056,280)** |
| **RESULT OF INSURANCE BUSINESS** | **27,874** | **38,135** | **93,226** | **69,554** | **121,100** | **107,689** |
| **IV. RESULT BEFORE TAX FROM CONTINUING OPERATIONS** | **27,874** | **38,135** | **93,226** | **69,554** | **121,100** | **107,689** |
| **V. INCOME TAX ON CONTINUING OPERATIONS** | **(8,710)** | **(8,923)** | **(25,294)** | **(20,172)** | **(34,004)** | **(29,095)** |
| **VI. RESULT AFTER TAX FROM CONTINUING OPERATIONS** | **19,164** | **29,212** | **67,932** | **49,382** | **87,096** | **78,594** |
| **VII. RESULT AFTER TAX FROM DISCONTINUED OPERATIONS** | | | | | | |
| **VIII. RESULT FOR THE YEAR** | **19,164** | **29,212** | **67,932** | **49,382** | **87,096** | **78,594** |
| 1. Attributable to minority interests | (1) | | | | (1) | |
| 2. Attributable to the Parent Company | 19,163 | 29,212 | 67,932 | 49,382 | 87,095 | 78,594 |

(FIGURES IN €000)

## F) Financial information by geographical area. Breakdowns as at 31 December 2012 and 2011

| COUNTRIES | Revenue from external customers 2012 | Revenue from external customers 2011 | Non-current assets 2012 | Non-current assets 2011 |
|---|---|---|---|---|
| SPAIN | 487,124 | 515,403 | 10,270 | 7,950 |
| UNITED STATES OF AMERICA | 248,494 | 185,677 | 14 | - |
| BRAZIL | 255,257 | 176,991 | 5,530 | 4,397 |
| MEXICO | 114,750 | 132,175 | 861 | 894 |
| VENEZUELA | 54,623 | 63,674 | 1,187 | 1,192 |
| COLOMBIA | 125,101 | 108,177 | 176 | 195 |
| ARGENTINA | 75,759 | 76,043 | 50 | 52 |
| TURKEY | 79,211 | 63,417 | - | - |
| CHILE | 125,567 | 113,961 | 17,514 | 16,499 |
| OTHER COUNTRIES | 1,278,582 | 1,195,210 | 9,406 | 11,501 |
| **TOTAL** | **2,844,468** | **2,630,728** | **45,008** | **42,680** |

(FIGURES IN €000)

No client individually contributes more than 10 % of the ordinary income of the Company.

# 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, seven branches and six 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 22.02.13 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 annual accounts have been prepared on the cost model basis, except for financial assets available for sale, financial assets for negotiation and derived instruments that have been recorded at their fair value.

No guidelines or interpretations have been applied in advance that, having been approved by the European Commission, would not have entered into force at the date of the close of fiscal year 2012, although advanced adoption would have had no effect on the financial situation and the earnings of the Group.

### 2.2. Segment reporting

The Parent Company voluntarily includes financial information by segments in section E) of its consolidated annual accounts. The main segments for the Company's lines of business are Life and Non-Life reinsurance.

The principal activities and branches of insurance pertaining to the management of the Group were considered in order to identify operative segments, while also considering the qualitative thresholds established by regulations.

The Consolidated Management Report details additional information regarding the trends and characteristics of the business.

### 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

No significant changes in accounting policies, estimates or errors have occurred in fiscal year 2012 that could have had an effect on the Cash flow statement or the earnings of the Group.

### 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.

The modifications made to IFRS 7, corresponding to the breakdown of the transfer of financial assets that apply to fiscal years beginning as of July 1, 2011, as well as the rest of the interpretations or improvements of the guidelines made in the present fiscal year, have had no effect on the cash flow statement or the earnings of the Group.

At the date of the drafting of these consolidated annual accounts the following approved guidelines, modifications and interpretations were not obligatory: the modification of IAS 1, applicable to fiscal years beginning as of July 1, 2012; IFRS 13 and the modifications to IFRS 7 and IAS 12, applicable to fiscal years beginning as of January 1, 2013; the revision of IAS 19, applicable to fiscal years beginning as of July 1, 2013; and IFRS 10, 11 and 12, the revision of IAS 28 and the modification of IAS 32, applicable to fiscal years beginning as of January 1, 2014.

The Group shall adopt the applicable guidelines, modifications and interpretations when they enter into force. It is estimated that their initial application will not have a significant impact on the financial situation or the earnings of the Group.

### 2.6. Changes in the consolidation perimeter

Appendix 1 lists the companies and the changes made to the consolidation perimeter in 2012 and 2011, 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 2012 and 2011 with respect to the preceding year is described in the relevant Notes to the Consolidated Financial Statements.

During the last two fiscal years there have been no significant changes in the perimeter of consolidation.

### 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

The identification of subsidiary and associate companies included in the consolidation are detailed in the shares table, which forms part of the consolidated annual report as Appendix 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 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.

Investments carried out by investment funds and similar entities are not considered for subsidiary and associate companies.

The financial statements of subsidiaries and associate companies used for the consolidation are those relating to the financial years closed on 31 December 2012 and 2011.

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 the application of the above procedure, as well as those arising from the conversion of foreign-currency loans and other instruments used to hedge investments in foreign operations have been recorded as a separate component in the "Statement of Recognized Income and Expenses" account and are gathered under equity in the "Valuation Adjustments" account, with the part of said difference corresponding to "Minority Interest" having been deducted.

Adjustments to the fair value of assets and liabilities that have arisen in the acquisition of Group companies whose presentation currency is other than the euro are treated as assets and liabilities of foreign business, set forth in the functional currency of the foreign business and converted at the closing exchange rate.

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 Consolidated 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:

| | 2012 | 2011 |
|---|---|---|
| Net profit attributable to the Parent Company's shareholders (€000) | 87,095 | 78,594 |
| Weighted average number of ordinary shares outstanding (thousands of shares) | 72,231 | 72,231 |
| **Basic earnings per share (Euros)** | **1.21** | **1.09** |

### 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** | 2012 | 2011 | 2012 | 2011 |
| Interim dividend | 56,340,233 | 25,280,874 | 0.78 | 0.35 |
| Final dividend | - | - | - | - |
| **TOTAL** | **56,340,233** | **25,280,874** | **0.78** | **0.35** |

(FIGURES IN EUROS)

The total dividend for fiscal year 2012, coinciding with paid interim dividends, has been proposed by the Board of Directors and is awaiting approval by the General Shareholders' Meeting.

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

During the fiscal year 2012 the Parent Company has issued interim dividends for the total amount of €56,340,233.03, which appears in net worth under the heading "VI Retained Earnings."

The liquidity statement prepared by the Board of Directors for the 2012 payout is shown below:

| ITEM | Date of resolution: 26/06/2012 |
|---|---|
| **Cash available on the date of the resolution** | 143,000 |
| **Cash increases forecast within one year** | |
| (+) From expected current collection transactions | 340,000 |
| (+) From financial transactions | - |
| **Cash reductions forecast within one year** | |
| (-) From expected current payment transactions | (180,000) |
| (-) From expected financial transactions | (150,000) |
| (-) For payment of interim dividends | (56,340) |
| **CASH AVAILABLE WITHIN ONE YEAR** | **96,660** |

(FIGURES IN €000)

## 5. Accounting policies

The accounting policies applied with regard to the following items are indicated below:

### 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

Leases where the lessor retains a significant part of the risks and rewards of ownership are classified 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

ACKNOWLEDGE

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, if any, 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 or when the price is not sufficiently representative, the fair value is determined, should there be observable market data, by updating 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. Should there be no observable market data available, other valuation techniques are utilized where some of the significant variables are not based on market data.

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 a financial instrument is not recoverable. 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 fixed income values where there exists a delay in interest and/or principal, the potential loss is then estimated based on the issuer's situation. For the rest of the fixed income values, an analysis is carried out based on their credit rating and the solvency level of emissions. The impairment is then recorded if the risk of default is considered probable.

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 considered 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 "Valuation adjustments".

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. Other 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 short-term investments of high liquidity that are easily converted into determined cash amounts and are subject to insignificant exchange rate risks.

### 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, according to note 5.9.B.1.

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 written retrocession treaties.

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 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 thereby 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.

Throughout the fiscal year there have been no significant modifications in the hypotheses derived for assessing the insurance contracts.

E) IMPAIRMENT

Where there is objective evidence that a loss has been incurred due to impairment of derived assets from reinsurance contracts, 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.

If all or part of a provision is highly 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, 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 obligations for defined benefit plans that remain on the balance correspond exclusively to liability personnel.

C) TERMINATION BENEFITS

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

D) SHARE-BASED PAYMENTS

The MAPFRE Group has granted some of its executives in Spain an incentive scheme linked to the MAPFRE S.A. share value.

The payments based on assets liquidated in cash are valued at the moment of their issue, following a share valuation 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 derecognized from the balance of the financial asset or impairment is recorded, in which case they are recorded in the consolidated income 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 "Valuation adjustments", 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 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 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:

**2012 Financial year**

| ITEMS | Opening balance 2012 | Adjustments to the opening balance | Changes in perimeter | Additions or appropriations | Disposals, cancellations or reductions | Closing balance 2012 |
|---|---|---|---|---|---|---|
| GOODWILL | | | | | | |
| OTHER INTANGIBLE ASSETS | 6,006 | (4) | | 766 | | 6,768 |
| Portfolio acquisition expenses | | | | | | |
| Computer software | 5,966 | 36 | | 766 | | 6,768 |
| Other | 40 | (40) | | | | |
| **COST** | **6,006** | **(4)** | | **766** | | **6,768** |
| ACCUMULATED AMORTISATION | | | | | | |
| OTHER INTANGIBLE ASSETS | | | | | | |
| Portfolio acquisition expenses | | | | | | |
| Computer software | (4,100) | 2 | | (598) | | (4,696) |
| Other | | | | | | |
| **ACCUMULATED AMORTISATION** | **(4,100)** | **2** | | **(598)** | | **(4,696)** |
| IMPAIRMENT | | | | | | |
| GOODWILL | | | | | | |
| OTHER INTANGIBLE ASSETS | | | | | | |
| Portfolio acquisition expenses | | | | | | |
| Computer software | | | | | | |
| Other | | | | | | |
| **IMPAIRMENT** | | | | | | |
| **SUBTOTAL NET GOODWILL** | | | | | | |
| **SUBTOTAL OTHER NET INTANGIBLE ASSETS** | 1,906 | (2) | | 168 | | 2,072 |
| **TOTAL NET INTANGIBLE ASSETS** | 1,906 | (2) | | 168 | | 2,072 |

(FIGURES IN €000)

**2011 Financial year**

| ITEMS | Opening balance 2011 | Adjustments to the opening balance | Changes in perimeter | Additions or appropriations | Disposals, cancellations or reductions | Closing balance 2011 |
|---|---|---|---|---|---|---|
| GOODWILL | | | | | | |
| OTHER INTANGIBLE ASSETS | 5,089 | (4) | | 922 | (1) | 6,006 |
| Portfolio acquisition expenses | | | | | | |
| Computer software | 5,047 | | | 919 | | 5,966 |
| Other | 42 | (4) | | 3 | (1) | 40 |
| **COST** | **5,089** | **(4)** | | **922** | **(1)** | **6,006** |
| ACCUMULATED AMORTISATION | | | | | | |
| OTHER INTANGIBLE ASSETS | | | | | | |
| Portfolio acquisition expenses | | | | | | |
| Computer software | (3,580) | 2 | | (522) | | (4,100) |
| Other | | | | | | |
| **ACCUMULATED AMORTISATION** | **(3,580)** | **2** | | **(522)** | | **(4,100)** |
| IMPAIRMENT | | | | | | |
| GOODWILL | | | | | | |
| OTHER INTANGIBLE ASSETS | | | | | | |
| Portfolio acquisition expenses | | | | | | |
| Computer software | | | | | | |
| Other | | | | | | |
| **IMPAIRMENT** | | | | | | |
| **SUBTOTAL NET GOODWILL** | | | | | | |
| **SUBTOTAL OTHER NET INTANGIBLE ASSETS** | **1,509** | **(2)** | **-** | **400** | **(1)** | **1,906** |
| **TOTAL NET INTANGIBLE ASSETS** | **1,509** | **(2)** | **-** | **400** | **(1)** | **1,906** |

(FIGURES IN €000)

In fiscal year 2012 main "Additions" were primarily due to the development of our own applications ("Retroceded Claims," "Portfolio" and "Breakdown of Proportional Claims").

In fiscal year 2011 main "Additions" were primarily due to the development of our own applications ("Facultative Phase III," "Notices for Administration and Accounting" and "Quotes Phase III").

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".

There are fully-amortised elements that amount to €3.74 million in 2012 and €3.16 million in 2011.

The variation produced in the fiscal year is mainly due to the amortisation of elements such as "Claims XL," "Optional Phase III" and "Notices for Administration and Accounting."

## 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:

**2012 Financial year**

| ITEMS | Opening balance 2012 | Adjustments to the opening balance | Changes in perimeter | Additions or appropriations | Disposals, cancellations or reductions | Closing balance 2012 | Market value |
|---|---|---|---|---|---|---|---|
| **COST** | | | | | | | |
| OWN-USE PROPERTY | 9,114 | (148) | | 1,799 | | 10,765 | 10,688 |
| Land and natural resources | 2,130 | | | 420 | | 2,550 | 3,710 |
| Buildings and construction | 6,984 | (148) | | 1,379 | | 8,215 | 6,978 |
| OTHER PROPERTY, PLANT AND EQUIPMENT | 6,667 | 54 | | 566 | (379) | 6,908 | 2,152 |
| Transportation equipment | 744 | 8 | | 336 | (226) | 862 | 493 |
| Furniture and fixtures | 3,018 | 61 | | 122 | (12) | 3,189 | 937 |
| Other property, plant and equipment | 2,905 | (15) | | 108 | (5) | 2,993 | 722 |
| Advances and fixed assets in progress | | | | | (136) | (136) | |
| **TOTAL COST** | **15,781** | **(94)** | | **2,365** | **(379)** | **17,673** | **12,840** |
| **ACCUMULATED AMORTISATION** | | | | | | | |
| OWN-USE PROPERTY | (1,244) | 16 | | (125) | | (1,353) | |
| OTHER PROPERTY, PLANT AND EQUIPMENT | (4,303) | (68) | | (558) | 173 | (4,756) | |
| **TOTAL ACCUMULATED AMORTISATION** | **(5,547)** | **(52)** | | **(683)** | **173** | **(6,109)** | |
| **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** | **7,870** | **(132)** | | **1,674** | | **9,412** | **10,688** |
| **TOTAL OTHER PROPERTY, PLANT AND EQUIPMENT** | **2,364** | **(14)** | | **8** | **(206)** | **2,152** | **2,152** |

(FIGURES IN €000)

2011 Financial year

| ITEMS | Opening balance 2011 | Adjustments to the opening balance | Changes in perimeter | Additions or appropriations | Disposals, cancellations or reductions | Closing balance 2011 | Market value |
|---|---|---|---|---|---|---|---|
| **COST** | | | | | | | |
| **OWN-USE PROPERTY** | **40,137** | **(276)** | | **625** | **(31,372)** | **9,114** | **9,476** |
| Land and natural resources | 18,824 | (1,062) | | | (15,632) | 2,130 | 3,360 |
| Buildings and construction | 21,313 | 786 | | 625 | (15,740) | 6,984 | 6,116 |
| **OTHER PROPERTY, PLANT AND EQUIPMENT** | **6,157** | **(131)** | | **689** | **(48)** | **6,667** | **2,364** |
| Transportation equipment | 729 | (7) | | 45 | (23) | 744 | 332 |
| Furniture and fixtures | 2,972 | (73) | | 127 | (8) | 3,018 | 965 |
| Other property, plant and equipment | 2,456 | (51) | | 517 | (17) | 2,905 | 1,067 |
| Advances and fixed assets in progress | | | | | | | |
| **TOTAL COST** | **46,294** | **(407)** | | **1,314** | **(31,420)** | **15,781** | **11,840** |
| **ACCUMULATED AMORTISATION** | | | | | | | |
| OWN-USE PROPERTY | (3,649) | 24 | | (378) | 2,759 | (1,244) | |
| OTHER PROPERTY, PLANT AND EQUIPMENT | (3,930) | 110 | | (524) | 41 | (4,303) | |
| **TOTAL ACCUMULATED AMORTISATION** | **(7,579)** | **134** | | **(902)** | **2,800** | **(5,547)** | |
| **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** | **36,488** | **(252)** | | **247** | **(28,613)** | **7,870** | **9,476** |
| **TOTAL OTHER PROPERTY, PLANT AND EQUIPMENT** | **2,227** | **(21)** | | **165** | **(7)** | **2,364** | **2,364** |

(FIGURES IN €000)

In fiscal year 2012 the main "Addition" was due to the incorporation of the Milan office "Via Bonaventura Cavalieri, No. 1/A," for the amount of €1,401,000. The main "disposal" was due to the sale of a vehicle in Mexico.

In fiscal year 2011 the main "Addition" was due to the purchase of a storage system and the "Disposals" produced were due to the sale of real estate located in Chile and Spain. Among the latter the sale of the Paseo de Recoletos 25 building is noteworthy. Its sale to the FUNDACIÓN MAPFRE produced a gain of €13,761,000.

The cost of fully-depreciated property, plant and equipment at 31 December 2012 and 31 December 2011 came to €1,457,000, and €1,273,000, respectively.

## INVESTMENT PROPERTY

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

**2012 financial year**

| ITEMS | Opening balance 2012 | Adjustments to the opening balance | Changes in perimeter | Additions or appropriations | Disposals, cancellations or reductions | Closing balance 2012 | Market value |
|---|---|---|---|---|---|---|---|
| **COST** | | | | | | | |
| INVESTMENT PROPERTY | 9,209 | 149 | | | | 9,358 | 7,994 |
| Land and natural resources | 1,752 | 49 | | | | 1,801 | 1,788 |
| Buildings and construction | 7,457 | 100 | | | | 7,557 | 6,206 |
| OTHER INVESTMENT PROPERTY | | | | | | | |
| **TOTAL COST** | **9,209** | **149** | | | | **9,358** | **7,994** |
| **ACCUMULATED AMORTISATION** | | | | | | | |
| INVESTMENT PROPERTY | (3,073) | (1) | | (195) | | (3,269) | |
| OTHER INVESTMENT PROPERTY | (13) | 13 | | | | | |
| **TOTAL ACCUMULATED AMORTISATION** | **(3,086)** | **12** | | **(195)** | | **(3,269)** | |
| **IMPAIRMENT** | | | | | | | |
| INVESTMENT PROPERTY | | | | | | | |
| Land and natural resources | | | | | | | |
| Buildings and construction | | | | | | | |
| OTHER INVESTMENT PROPERTY | | | | | | | |
| **TOTAL IMPAIRMENT** | | | | | | | |
| **TOTAL INVESTMENT PROPERTY** | **6,123** | **161** | | **(195)** | | **6,089** | **7,994** |

(FIGURES IN €000)

**2011 financial year**

| ITEMS | Opening balance 2011 | Adjustments to the opening balance | Changes in perimeter | Additions or appropriations | Disposals, cancellations or reductions | Closing balance 2011 | Market value |
|---|---|---|---|---|---|---|---|
| **COST** | | | | | | | |
| INVESTMENT PROPERTY | 43,656 | (2,533) | | 2,538 | (34,452) | 9,209 | 7,331 |
| Land and natural resources | 12,909 | 428 | | 408 | (11,993) | 1,752 | 1,752 |
| Buildings and construction | 30,747 | (2,961) | | 2,130 | (22,459) | 7,457 | 5,579 |
| OTHER INVESTMENT PROPERTY | | | | | | | |
| **TOTAL COST** | **43,656** | **(2,533)** | | **2,538** | **(34,452)** | **9,209** | **7,331** |
| **ACCUMULATED AMORTISATION** | | | | | | | |
| INVESTMENT PROPERTY | (8,971) | 5,569 | | (159) | 488 | (3,073) | |
| OTHER INVESTMENT PROPERTY | | (1) | | (12) | - | (13) | |
| **TOTAL ACCUMULATED AMORTISATION** | **(8,971)** | **5,568** | | **(171)** | **488** | **(3,086)** | |
| **IMPAIRMENT** | | | | | | | |
| INVESTMENT PROPERTY | | | | | | | |
| Land and natural resources | | | | | | | |
| Buildings and construction | | | | | | | |
| OTHER INVESTMENT PROPERTY | | | | | | | |
| **TOTAL IMPAIRMENT** | | | | | | | |
| **TOTAL INVESTMENT PROPERTY** | **34,685** | **3,035** | | **2,367** | **(33,964)** | **6,123** | **7,331** |

(FIGURES IN €000)

In fiscal year 2011 the principle disposal was due to the sale of the *Galería Imperio* located in Chile.

The market value of the 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 fiscal year are recorded in the account "Allocation to the asset impairment provision " and the reversal in the "Reversal of the asset impairment provision" at the consolidated income statement. During fiscal years 2012 and 2011 there have been no allocations to these accounts.

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

| | Investments from | | | | | |
|---|---|---|---|---|---|---|
| | OPERATIONS | | EQUITY | | TOTAL | |
| ITEM | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| **Income from investment property** | | | | | | |
| From rents | 290 | 1,490 | - | - | 290 | 1,490 |
| Gains on disposals | - | | - | - | - | |
| **TOTAL INCOME FROM INVESTMENTS PROPERTY** | **290** | **1,490** | **-** | **-** | **290** | **1,490** |
| **Expenses from investment property** | | | | | | |
| Direct operating expenses | (63) | (403) | - | - | (63) | (403) |
| Other expenses | (77) | (491) | - | - | (77) | (491) |
| **TOTAL EXPENSES FROM INVESTMENT PROPERTY** | **(140)** | **(894)** | **-** | **-** | **(140)** | **(894)** |

(FIGURES IN €000)

## 6.3. Leases

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

| TYPE OF ASSET | NET BOOK VALUE 2012 | NET BOOK VALUE 2011 | TERM OF THE AGREEMENT 2012 | TERM OF THE AGREEMENT 2011 | MAXIMUM YEARS ELAPSED 2012 | MAXIMUM YEARS ELAPSED 2011 |
|---|---|---|---|---|---|---|
| Real estate in Belgium | 4,039 | 4,185 | 18 | 18 | 13 | 12 |
| Real estate in Chile | 2,050 | 1,938 | 1 | 1 | Renewable annually | Renewable annually |
| **TOTAL** | **6,089** | **6,123** | | | | |

(FIGURES IN €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 2012 | Minimum receipts 2011 |
|---|---|---|
| Less than one year | 1,060 | 826 |
| More than one year but less than five | 3,699 | 2,254 |
| More than five years | 4,103 | 808 |
| **TOTAL** | **8,862** | **3,888** |

(FIGURES IN €000)

The payments on the renewable lease resulting from the lease agreement of the corporate headquarters amounts to €2,702,000.

The minimum future payments for non-rescindable operational leases as of December 31 are as follows:

| | Minimum payments 2012 |
|---|---|
| Less than one year | 2,581 |
| More than one year but less than five | 5,162 |
| More than five years | - |
| **TOTAL** | **7,743** |

(FIGURES IN €000)

There are no contingent instalments recorded as expenses in fiscal years 2012 and 2011.

## 6.4. Financial investments

At 31 December 2012 and 2011, the breakdown of financial investments was as follows:

| | BOOK VALUE | |
|---|---|---|
| ITEM | 2012 | 2011 |
| **TOTAL HELD-TO-MATURITY PORTFOLIO** | **-** | **-** |
| **AVAILABLE-FOR-SALE PORTFOLIO** | | |
| Equities | 110,760 | 145,458 |
| Fixed Income securities | 2,414,462 | 1,996,783 |
| Mutual funds | 91,004 | 75,626 |
| Other | | |
| **TOTAL AVAILABLE-FOR-SALE PORTFOLIO** | **2,616,226** | **2,217,867** |
| **TRADING PORTFOLIO** | | |
| **Other investments** | | |
| Equities | 89 | 85 |
| Fixed Income securities | | |
| Mutual funds | 36,532 | 31,812 |
| Other | | |
| **TOTAL TRADING PORTFOLIO** | **36,621** | **31,897** |

(FIGURES IN €000)

## A) AVAILABLE-FOR-SALE PORTFOLIO

A breakdown of the investments allocated to the available-for-sale portfolio as at 31 December 2012 and 2011 is given below:

| | Market value | | | | | | | | Impairment | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | MARKET PRICE | | OBSERVABLE DATA | | OTHER VALUATIONS | | BOOK VALUE | | RECORDED LOSS | | GAINS ON REVERSAL | |
| **ITEM** | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Equities | 110,760 | 145,458 | - | - | - | - | 110,760 | 145,458 | (30,062) | - | - | - |
| Fixed Income securities | 2,410,162 | 1,978,413 | - | - | 4,300 | 18,370 | 2,414,462 | 1,996,783 | (699) | (8,100) | 1,161 | |
| Mutual funds | 91,004 | 75,626 | - | - | - | - | 91,004 | 75,626 | - | - | - | 528 |
| **TOTAL AVAILABLE-FOR-SALE PORTFOLIO** | **2,611,926** | **2,199,497** | **-** | **-** | **4,300** | **18,370** | **2,616,226** | **2,217,867** | **(30,761)** | **(8,100)** | **1,161** | **528** |

(FIGURES IN €000)

In the column "Other Valuations" for fiscal years 2012 and 2011 €4,300,000 were included corresponding to the investment in subordinate obligations of Bankia and €18,370,000 corresponding to the bonds issued by the Republic of Greece respectively. The impairment of 2012 includes the loss on the investment in Bankia and that of 2011 includes the estimate of the Parent Company for the loss on Greek Sovereignty debt bonds.

During fiscal year 2012 the Greek bonds were sold on the market, leaving a balance of zero at the close of the fiscal year.

The change in the valuation adjustments in the portfolio investments amount to €89.9 million and € (20.6) million as at 31 December 2012 and 2011, 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 2012 and 2010, come to net amounts of €(2.3) million and €(6.1) million, respectively.

The values issued by the governments as of December 31 of 2012 and 2011 are included in the Fixed Income heading for the three financial investment portfolios, which are detailed below:

| | BOOK VALUE | |
|---|---|---|
| **FIXED INCOME ISSUED BY GOVERNMENTS** | 2012 | 2011 |
| Spain | 300,30 | 546,16 |
| France | 129,74 | - |
| United States | 99,94 | 17,66 |
| Portugal | 90,07 | 74,05 |
| Brazil | 82,86 | 71,29 |
| Italy | 65,74 | 23,72 |
| Netherlands | 59,90 | 0,60 |
| Belgium | 51,72 | 3,02 |
| Austria | - | - |
| Germany | 27,51 | 1,66 |
| Canada | 19,97 | - |
| Ireland | - | 57,21 |
| Greece | - | 18,37 |
| Rest | 62,10 | 42,62 |
| **TOTAL** | **989,85** | **856,36** |

(FIGURES IN € MILLION)

The sovereign debt has been assessed as of December 31, 2012 by its exchange rate value. In note 7, "Risk Management," the maturity of fixed income values is broken down.

B) TRADING PORTFOLIO

A breakdown of the investments allocated to the trading portfolio as at 31 of December 2012 and 2011 is given below:

| | Market value | | | | | | BOOK VALUE | | Capital gains (losses) allocated to results | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | MARKET PRICE VALUATIONS | | OBSERVABLE DATA | | OTHER | | | | UNREALISED | | REALISED | |
| ITEM | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| **OTHER TRADING PORTFOLIO INVESTMENTS** | | | | | | | | | | | | |
| Equities | 89 | 85 | | | | | 89 | 85 | | | | |
| Fixed Income | | | | | | | | | | | | |
| Mutual funds | 36,532 | 31,812 | | | | | 36,532 | 31,812 | | | (246) | (36) |
| Other | | | | | | | | | | | | |
| **TOTAL OTHER INVESTMENTS** | **36,621** | **31,897** | **-** | **-** | **-** | **-** | **36,621** | **31,897** | **-** | **-** | **(246)** | **(36)** |
| **TOTAL TRADING PORTFOLIO** | **36,621** | **31,897** | **-** | **-** | **-** | **-** | **36,621** | **31,897** | **-** | **-** | **(246)** | **(36)** |

(FIGURES IN €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 2012 and 2011; 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 | |
| CONCEPTO | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| I. Receivables from reinsurance operations | 278,459 | 250,971 | (2,864) | (3,001) | 275,595 | 247,970 | | (1,624) | 137 | | | |
| II. Tax credits | 13,539 | 13,320 | | | 13,539 | 13,320 | | | | | | |
| III. Corporate and other loans | 21,808 | 5,465 | | | 21,808 | 5,465 | | | | | | |
| **TOTAL** | **313,806** | **269,756** | **(2,864)** | **(3,001)** | **310,942** | **266,755** | | **(1,624)** | **137** | | | |

(FIGURES IN €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:

**2012 financial year**

| IMPAIRMENT IN | Opening balance | Adjustments to opening balance | Changes in perimeter | RECORDING IN RESULTS |  | DIRECT RECORDING IN EQUITY |  | Cancellation of asset | 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** | **(9,262)** |  |  | **(30,761)** | **1,161** |  |  | **38,862** |  |
| I. Investment property |  |  |  |  |  |  |  |  |  |
| II. Financial investments | (9,262) |  |  | (30,761) | 1,161 |  |  | 38,862 |  |
| - Held-to-maturity portfolio |  |  |  |  |  |  |  |  |  |
| - Available-for-sale portfolio | (9,262) |  |  | (30,761) | 1,161 |  |  | 38,862 |  |
| - Trading portfolio |  |  |  |  |  |  |  |  |  |
| III. Equity-method-accounted investments |  |  |  |  |  |  |  |  |  |
| IV. Deposits established for assumed reinsurance |  |  |  |  |  |  |  |  |  |
| V. Other investments |  |  |  |  |  |  |  |  |  |
| **LOANS AND RECEIVABLES** | **(3,001)** |  |  |  | **137** |  |  |  | **(2,864)** |
| I. Receivables from direct insurance and coinsurance operations |  |  |  |  |  |  |  |  |  |
| II. Receivables from reinsurance operations | (3,001) |  |  |  | 137 |  |  |  | (2,864) |
| III. Tax credits |  |  |  |  |  |  |  |  |  |
| IV. Corporate and other loans |  |  |  |  |  |  |  |  |  |
| V. Called-up share capital |  |  |  |  |  |  |  |  |  |
| **OTHER ASSETS** |  |  |  |  |  |  |  |  |  |
| **TOTAL IMPAIRMENT** | **(12,263)** |  |  | **(30,761)** | **1,298** |  |  | **38,862** | **(2,864)** |

(FIGURES IN €000)

**2011 financial year**

| | | | | RECORDING IN RESULTS | | DIRECT RECORDING IN EQUITY | | |
|---|---|---|---|---|---|---|---|---|
| **IMPAIRMENT IN** | Opening balance | Adjustments to opening balance | Changes in perimeter | Addition | Reduction | Addition | Reduction | Closing balance |
| **INTANGIBLE ASSETS** | | | | | | | | |
| I. Goodwill | | | | | | | | |
| II. Other intangible assets | | | | | | | | |
| **PROPERTY, PLANT AND EQUIPMENT** | | | | | | | | |
| I. Own-use property | | | | | | | | |
| II. Other property, plant and equipment | | | | | | | | |
| **INVESTMENTS** | **(1,162)** | | | **(8,100)** | | | | **(9,262)** |
| I. Investment property | | | | | | | | |
| II. Financial investments | (1,162) | | | (8,100) | | | | (9,262) |
| - Held-to-maturity portfolio | | | | | | | | |
| - Available-for-sale portfolio | | | | | | | | |
| - Trading portfolio | (1,162) | | | (8,100) | | | | (9,262) |
| III. Equity-method-accounted investments | | | | | | | | |
| IV. Deposits established for assumed reinsurance | | | | | | | | |
| V. Other investments | | | | | | | | |
| **LOANS AND RECEIVABLES** | **(1,377)** | | | **(1,624)** | | | | **(3,001)** |
| I. Credits of direct insurance and coinsurance operations | | | | | | | | |
| II. Receivables from reinsurance operations | (1,377) | | | (1,624) | | | | (3,001) |
| III. Tax credits | | | | | | | | |
| IV. Corporate and other loans | | | | | | | | |
| V. Called-up share capital | | | | | | | | |
| **OTHER ASSETS** | | | | | | | | |
| **TOTAL IMPAIRMENT** | **(2,539)** | | | **(9,724)** | | | | **(12,263)** |

(FIGURES IN €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 Treasury balance for the last two fiscal years is as follows:

| **ITEM** | 2012 | 2011 |
|---|---|---|
| Cash | 112,736 | 139,438 |
| Cash equivalents | 36,456 | 10,292 |
| **TOTAL** | **149,192** | **149,730** |

(FIGURES IN €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 of the two last years 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 S.A. owns 91.53% of the capital as of December 31, 2012 and 2011.

The representative shares for the capital stock of the Parent Company are not admitted to official negotiation.

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

The statutory reserve, amounting to €44.8 million in the two last years, 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 Units 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 MAPFRE Group solvency margin for fiscal years 2012 and 2011 is €9,542.57 million and €9,936.81 million respectively, figures which exceeded the required minimum (€3,656.54 million and €3,460.25 million respectively) by 2.61 times in 2012 and 2.87 times in 2011.

## 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** | **2012** | **2011** | **2012** | **2011** |
| **1 Provisions for non-life unearned premiums and unexpired risks** | **1,156,306** | **1,152,159** | **303,539** | **315,897** |
| 1.1 Provision for unearned premiums | 1,156,306 | 1,152,159 | 303,539 | 315,897 |
| 1.2 Provision for unexpired risks | | | | |
| **2 Provisions for life insurance** | **257,656** | **200,896** | **25,088** | **21,119** |
| 2.1 Provisions for unearned premiums and unexpired risks | 185,792 | 137,085 | 25,088 | 21,119 |
| 2..1.1 Provision for unearned premiums | 185,792 | 137,085 | 25,088 | 21,119 |
| 2..1.2 Provision for unexpired risks | | | | |
| 2.2 Mathematical reserves | 71,864 | 63,811 | | |
| 2.3 Provisions for profit sharing | | | | |
| **3 Provisions for claims** | **1,799,230** | **1,810,459** | **568,006** | **644,507** |
| 3.1 Claims outstanding | 1,799,230 | 1,810,459 | 568,006 | 644,507 |
| 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** | **3,213,192** | **3,163,514** | **896,633** | **981,523** |

(FIGURES IN €000)

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

### A) Assumed reinsurance

**2012 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 | 1,152,159 | (4,227) | | 1,156,306 | (1,147,932) | 1,156,306 |
| 1. Provisions for unearned premiums | 1,152,159 | (4,227) | | 1,156,306 | (1,147,932) | 1,156,306 |
| 2. Provisions for unexpired risks | | | | | | |
| II. Provision for life insurance | 200,896 | 3,427 | | 257,656 | (204,323) | 257,656 |
| 1. Provisions for unearned premiums | 137,085 | (640) | | 185,792 | (136,445) | 185,792 |
| 2. Provisions for unexpired risks | | | | | | |
| 3. Mathematical reserves | 63,811 | 4,067 | | 71,864 | (67,878) | 71,864 |
| 4. Provision for profit sharing | | | | | | |
| III. Provision for claims | 1,810,459 | (5,277) | | 1,799,230 | (1,805,182) | 1,799,230 |
| Assumed reinsurance | 1,810,459 | (5,277) | | 1,799,230 | (1,805,182) | 1,799,230 |
| IV. Other technical provisions | | | | | | |
| **TOTAL** | **3,163,514** | **(6,077)** | | **3,213,192** | **(3,157,437)** | **3,213,192** |

(FIGURES IN €000)

**2011 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 | 1,164,404 | (4,425) | | 1,152,159 | (1,159,979) | 1,152,159 |
| 1. Provisions for unearned premiums | 1,164,111 | (4,425) | | 1,152,159 | (1,159,686) | 1,152,159 |
| 2. Provisions for unexpired risks | 293 | | | | (293) | |
| II. Provision for life insurance | 178,716 | (4,890) | | 200,896 | (173,826) | 200,896 |
| 1. Provisions for unearned premiums | 113,298 | | | 137,085 | (113,298) | 137,085 |
| 2. Provisions for unexpired risks | | | | | | |
| 3. Mathematical reserves | 65,418 | (4,890) | | 63,811 | (60,528) | 63,811 |
| 4. Provision for profit sharing | | | | | | |
| III. Provision for claims | 1,522,957 | (2,612) | | 1,810,459 | (1,520,345) | 1,810,459 |
| Assumed reinsurance | 1,522,957 | (2,612) | | 1,810,459 | (1,520,345) | 1,810,459 |
| IV. Other technical provisions | | | | | | |
| **TOTAL** | **2,866,077** | **(11,927)** | | **3,163,514** | **(2,854,150)** | **3,163,514** |

(FIGURES IN €000)

## B) Retroceded reinsurance

**2012 financial year**

| ITEM | Opening balance | Adjustments to opening balance | Changes in perimeter | Additions | Reversals | Closing balance |
|---|---|---|---|---|---|---|
| Provision for unearned premiums | 315,897 | (2,800) | | 303,539 | (313,097) | 303,539 |
| Provision for life insurance | 21,119 | | | 25,088 | (21,119) | 25,088 |
| Provision for claims | 644,507 | (3,554) | | 568,006 | (640,953) | 568,006 |
| Other technical provisions | | | | | | |
| **TOTAL** | **981,523** | **(6,354)** | | **896,633** | **(975,169)** | **896,633** |

(FIGURES IN €000)

**2011 financial year**

| ITEM | Opening balance | Adjustments to opening balance | Changes in perimeter | Additions | Reversals | Closing balance |
|---|---|---|---|---|---|---|
| Provision for unearned premiums | 348,480 | (3,117) | | 315,897 | (345,363) | 315,897 |
| Provision for life insurance | 11,374 | (17) | | 21,119 | (11,357) | 21,119 |
| Provision for claims | 605,941 | (1,521) | | 644,507 | (604,420) | 644,507 |
| Other technical provisions | | | | | | |
| **TOTAL** | **965,795** | **(4,655)** | | **981,523** | **(961,140)** | **981,523** |

(FIGURES IN €000)

## 1.2. MATHEMATICAL RESERVES

| ITEM | DIRECT INSURANCE AND ASSUMED REINSURANCE 2012 | 2011 |
|---|---|---|
| **Mathematical reserve at beginning of year** | **63,811** | **65,418** |
| Adjustments to the opening balance | 4,067 | (4,890) |
| 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 | 3,986 | 3,283 |
| Miscellaneous | | |
| Exit from perimeter (balance of reserve on exit date) | | |
| **MATHEMATICAL RESERVE AT YEAR END** | **71,864** | **63,811** |

(FIGURES IN €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.

With information from 2012 and 2011, an adequacy study of the technical provisions established as of the close of 2012 and 2011 has been carried out. 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 contingencies and charges include the estimated amounts, externalised obligations, incentives for personnel, payments and others derived from the activities of companies making up the Group which will be settled in coming fiscal 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.

**2012 financial year**

| | | | | INFLOWS | | OUTFLOWS | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| ITEM | Opening balance | Adjustments to opening balance | Changes in perimeter | Allocated provisions | Increased value through discount | Provisions used | Provisions reversed | Closing balance | Amount of recognised reimbursements | Maximum reversal period |
| Provisions for staff incentives | 1,011 | | | 1,218 | | (1,011) | | 1,218 | | |
| Other provisions | 745 | | | 148 | | (197) | | 696 | | |
| **TOTAL BOOK VALUE** | **1,756** | | | **1,366** | | **(1,208)** | | **1,914** | | |

(FIGURES IN €000)

**2011 financial year**

| | | | | INFLOWS | | OUTFLOWS | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| ITEM | Opening balance | Adjustments to opening balance | Changes in perimeter | Allocated provisions | Increased value through discount | Provisions used | Provisions reversed | Closing balance | Amount of recognised reimbursements | Maximum reversal period |
| Provisions for staff incentives | 952 | | | 1,011 | | (952) | | 1,011 | | |
| Other provisions | 817 | | | 215 | | (287) | | 745 | | |
| **TOTAL BOOK VALUE** | **1,769** | | | **1,226** | | **(1,239)** | | **1,756** | | |

(FIGURES IN €000)

## 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 2% and 2.5%, 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 2012 and 2011, the Parent Company lodged letters of credit amounting to €63.5 million and €20.7 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 €297.16 million and €219.05 million in the 2012 and 2011 financial years, respectively.

## 6.14. Investment income and expenses

Details of investment income and expenses for the 2012 and 2011 financial years are shown below:

| | Investment income from | | | | | |
|---|---|---|---|---|---|---|
| | OPERATIONS | | EQUITY | | TOTAL | |
| ITEM | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| **INCOME FROM INTEREST, DIVIDENDS AND THE LIKE** | | | | | | |
| Investment property: | 290 | 1,490 | | | 290 | 1,490 |
| - Rents | 290 | 1,490 | | | 290 | 1,490 |
| Income from held-to-maturity portfolio | | | | | | |
| - Fixed Income | | | | | | |
| - Other investments | | | | | | |
| Income from available-for-sale portfolio | 90,657 | 84,339 | 8,317 | 7,418 | 98,974 | 91,757 |
| Income from trading portfolio | 44 | 135 | 595 | 825 | 639 | 960 |
| Dividends from Group companies | | | | | | |
| Other financial returns | 18,796 | 21,904 | 4,353 | 7,135 | 23,149 | 29,039 |
| **TOTAL INCOME** | **109,787** | **107,868** | **13,265** | **15,378** | **123,052** | **123,246** |
| **REALISED AND UNREALISED GAINS** | | | | | | |
| Net realised gains: | 32,169 | 15,284 | 3,073 | 14,567 | 35,242 | 29,851 |
| Investment property | | | | | | |
| Financial investments in held-to-maturity portfolio | | | | | | |
| Financial investments in available-for-sale portfolio | 32,169 | 15,284 | 3,024 | 802 | 35,193 | 16,086 |
| Financial investments in trading portfolio | | | 49 | | 49 | |
| Other | | | | 13,765 | | 13,765 |
| Unrealised gains: | | | | | | |
| Increase in fair value of trading portfolio | | | | | | |
| Other | | | | | | |
| **TOTAL GAINS** | **32,169** | **15,284** | **3,073** | **14,567** | **35,242** | **29,851** |
| **TOTAL INCOME FROM INVESTMENTS** | **141,956** | **123,152** | **16,338** | **29,945** | **158,294** | **153,097** |

(FIGURES IN €000)

| | Investment income from | | | | | |
|---|---|---|---|---|---|---|
| | OPERATIONS | | EQUITY | | TOTAL | |
| ITEM | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| **FINANCIAL EXPENSES** | | | | | | |
| Investment property: | 140 | 893 | | | 140 | 893 |
| - Direct operating expenses | 63 | 403 | | | 63 | 403 |
| - Other expenses | 77 | 490 | | | 77 | 490 |
| Expenses from held-to-maturity portfolio | | | | | | |
| - Fixed Income | | | | | | |
| - Other investments | | | | | | |
| Expenses from available-for-sale portfolio | 16,698 | 8,783 | 929 | 393 | 17,627 | 9,176 |
| Expenses from trading portfolio | 2,139 | 2,010 | 364 | 9,197 | 2,503 | 11,207 |
| Other financial expenses | | | | | | |
| **TOTAL EXPENSES** | **18,977** | **11,686** | **1,293** | **9,590** | **20,270** | **21,276** |
| **REALISED AND UNREALISED LOSSES** | | | | | | |
| Net realised losses: | 27,499 | 6,735 | 3,855 | 588 | 31,354 | 7,323 |
| Investment property | | | | | | |
| Financial investments in held-to-maturity portfolio | | | | | | |
| Financial investments in available-for-sale portfolio | 27,228 | 6,702 | 3,805 | 583 | 31,033 | 7,285 |
| Financial investments in trading portfolio | 271 | 33 | 24 | 3 | 295 | 36 |
| Other | | | 26 | 2 | 26 | 2 |
| Unrealised losses: | | | | | | |
| Decrease in fair value of trading portfolio | | | | | | |
| Other | | | | | | |
| **TOTAL LOSSES** | **27,499** | **6,735** | **3,855** | **588** | **31,354** | **7,323** |
| **TOTAL EXPENSES FROM INVESTMENTS** | **46,476** | **18,421** | **5,148** | **10,178** | **51,624** | **28,599** |

(FIGURES IN €000)

### 6.15. Operating expenses

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

| ITEM | REINSURANCE 2012 | REINSURANCE 2011 |
|---|---|---|
| I. Acquisition expenses | 709,309 | 644,530 |
| II. Administration expenses | 9,889 | 8,848 |
| III. Commission and participations in ceded and retroceded reinsurance | (205,966) | (159,521) |
| IV. Operating expenses from other activities | | |
| **TOTAL NET OPERATING EXPENSES** | **513,232** | **493,857** |

(FIGURES IN €000)

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

| ITEM | AMOUNT 2012 | AMOUNT 2011 |
|---|---|---|
| Personnel expenses | 25,201 | 22,785 |
| Amortisation allowances | 1,476 | 1,596 |
| **TOTAL** | **26,677** | **24,381** |

(FIGURES IN €000)

The table below gives a breakdown of amortisation allowances by operating segment:

| ITEM | AMOUNT 2012 | AMOUNT 2011 |
|---|---|---|
| Reinsurance | | |
| Life | 243 | 236 |
| Non-life | 1,233 | 1,360 |
| Other activities | | |
| **TOTAL** | **1,476** | **1,596** |

(FIGURES IN €000)

### 6.16. Result of ceded and retroceded reinsurance

The result of ceded and retroceded reinsurance operations in the 2012 and 2011 financial years is shown below:

| ITEM | NON-LIFE 2012 | NON-LIFE 2011 | LIFE 2012 | LIFE 2011 | TOTAL 2012 | TOTAL 2011 |
|---|---|---|---|---|---|---|
| Premiums (-) | (902,993) | (768,492) | (91,435) | (78,058) | (994,428) | (846,550) |
| Change in provisions for unearned premiums and unexpired risks | (5,746) | (32,833) | 623 | 13,230 | (5,123) | (19,603) |
| Claims paid (+) and change in claims provision | 438,036 | 513,298 | 43,554 | 30,132 | 481,590 | 543,430 |
| Change in mathematical reserve | | | | | | |
| Change in other technical provisions | | | | | | |
| Reinsurance share of commission and expenses (+) | 161,253 | 129,925 | 44,713 | 29,596 | 205,966 | 159,521 |
| Other | | | | | | |
| **RESULT OF CEDED AND RETROCEDED REINSURANCE** | **(309,450)** | **(158,102)** | **(2,545)** | **(5,100)** | **(311,995)** | **(163,202)** |

(FIGURES IN €000)

### 6.17. Tax status

A) TAX CONSOLIDATION REGIME

**Income tax**
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.

Therefore, the amounts to be charged or paid corresponding to the tax on gains are recorded under the headings "Social credits and others" and "Other debts" of the consolidated balance.

**Value added tax**

Since fiscal year 2010, and for the purposes of value added tax, the Parent Company is part of a group of entities with VAT No. 87/10 consisting of MAPFRE S.A. as the parent company and those of its subsidiaries that agreed to become part of said Group.

### 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 2012 and 2011.

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

| ITEM | AMOUNT | |
|---|---|---|
| | 2012 financial year | 2011 financial year |
| **Tax expense** | | |
| **Result before taxes from continuing operations** | 121,100 | 107,689 |
| 30% of the result before taxes from continuing operations | (36,330) | (32,307) |
| Tax incentive for the financial year | 6,281 | 7,203 |
| Tax effect of permanent differences | (5,734) | (4,544) |
| Tax effect from tax rates different from 30% | 1,779 | 553 |
| Total current tax expense originating in the financial year | (34,004) | (29,095) |
| 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** | (34,004) | (29,095) |
| **Income tax payable** | | |
| Retentions and interim payments | 35,792 | 29,227 |
| Temporary differences | 1,054 | (348) |
| Applied tax credits and incentives recorded in prior years | | |
| **Income tax on discontinued operations** | | |
| **TOTAL PAYABLE OR RECEIVABLE** | 2,842 | (216) |

(FIGURES IN €000)

The following tables provide a breakdown of movements for the 2012 and 2011 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.

**2012 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 | 34,791 | | | (8,961) | (20,910) | | 4,920 |
| - 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 | | | | | | | |
| - 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 | 8,373 | 1 | | (1,741) | | | 6,633 |
| **TOTAL DEFERRED TAXES ON ASSETS** | **43,164** | **1** | | **(10,702)** | **(20,910)** | | **11,553** |

(FIGURES IN €000)

**2011 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 | 26,416 | | | (2,185) | 10,560 | | 34,791 |
| - 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 | - | | | | | | |
| - 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 | 6,456 | | | 1,917 | | | 8,373 |
| **TOTAL DEFERRED TAXES ON ASSETS** | **32,872** | | | **(268)** | **10,560** | | **43,164** |

(FIGURES IN €000)

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

| 2012 financial year | |
|---|---|
| - Foreign taxes | amounting to €4,788,000 |
| - Tax assets derived from the impairment of subsidiaries for the | amount of €706,000. |
| - Prepaid taxes arising from pension commitments | amounting to €1,137,000 |

| 2011 financial year | |
|---|---|
| - Foreign taxes | amounting to €7,361,000 |
| - Prepaid taxes arising from pension commitments | amounting to €1,012,000 |

The total amount of deferred tax assets of fully consolidated companies as a result of accumulated taxable temporary differences at 31 December 2012 and 31 December 2011 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 2012 and 2011 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 PAYABLES

The following tables show the movements in the deferred tax liabilities heading for the 2012 and 2011 financial years.

**2012 financial year**

| ITEMS | Opening balance | Adjustments to opening balance | Changes in perimeter | FROM | | Write-offs | Closing balance |
|---|---|---|---|---|---|---|---|
| | | | | Results | Equity | | |
| - Difference in valuation of financial investments | 2,470 | 40 | | (10,808) | 18,897 | | 10,599 |
| - Embedded derivatives | | | | | | | |
| - Equalisation and catastrophe provisions | | | | | | | |
| - Portfolio acquisition expenses and other acquisition expenses | | | | | | | |
| - Other | 1,141 | | | (359) | | | 782 |
| **TOTAL DEFERRED TAXES ON LIABILITIES** | **3,611** | **40** | | **(11,167)** | **18,897** | | **11,381** |

(FIGURES IN €000)

**2011 financial year**

| ITEMS | Opening balance | Adjustments to opening balance | Changes in perimeter | FROM | | Write-offs | Closing balance |
|---|---|---|---|---|---|---|---|
| | | | | Results | Equity | | |
| - Difference in valuation of financial investments | 2,875 | (54) | | (4,825) | 4,474 | | 2,470 |
| - Embedded derivatives | | | | | | | |
| - Equalisation and catastrophe provisions | - | | | | | | |
| - Portfolio acquisition expenses and other acquisition expenses | | | | | | | |
| - Other | 283 | | | 904 | (46) | | 1,141 |
| **TOTAL DEFERRED TAXES ON LIABILITIES** | **3,158** | **(54)** | | **(3,921)** | **4,428** | | **3,611** |

(FIGURES IN €000)

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

| | |
|---|---|
| **2012 financial year** | |
| - Deferred taxes derived from obligations with personnel | for the amount of €264,000. |
| - Fiscally deductible capital losses in | for the amount of €516,000. |

| | |
|---|---|
| **2011 financial year** | |
| - Deferred taxes derived from obligations with personnel | for the amount of €265,000. |
| - Fiscally deductible capital losses in | for the amount of €876,000. |

The total amount of deferred tax liabilities of fully consolidated companies as a result of accumulated taxable temporary differences at 31 December 2012 and 31 December 2011 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 2012 and 2011 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 | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| - Investment allowance | | | | | | | | | |
| - Double taxation allowance | | 5,316 | 4,644 | | | | | | |
| - Job creation | | | | | | | | | |
| - Other | | 965 | 2,559 | | | | | | |
| **TOTAL** | | **6,281** | **7,203** | - | - | - | - | - | - |

(FIGURES IN €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.

On February 17, 2012 inspections were initiated regarding the Company Tax of Fiscal Group 9/85 for fiscal years 2007 to 2009, which affect MAPFRE S.A. as the parent company and which could affect the entity (MAPFRE RE) as a subsidiary company. Said inspections continue developing as of the closing date for fiscal year 2012.

Therefore, as of December 31 the Company has all of the taxes that it is subject to for fiscal years 2008 to 2012 open to inspection, as well as the Company Tax for fiscal year 2007. The opinion of Company consultants is that the possibility that fiscal liabilities may arise that could significantly affect the cash flow statement of the Company as of December 31, 2012 is remote.

During fiscal year 2011, once the judicial review procedure was finalized for the action initiated by Fiscal group 9/85 regarding the Company Tax for fiscal years 1994 to 1997 that affected MAPFRE RE as the Parent Company of the fiscal group, the payment of the corresponding tax settlement was carried out. Most of the concepts that motivate the settlement are temporary differences that reverted to income in fiscal years subsequent to those inspected, which has generated a right of credit in favour of the Entity that shall determine the return of undue income on the part of the State Tax Administration Agency.

## 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 2012 | AMOUNT 2011 |
|---|---|---|
| **a) Short-term employee benefits** | **24,067** | **21,757** |
| a.1) Wages and salaries | 18,396 | 16,322 |
| a.2) Social security | 3,492 | 3,332 |
| a.3) Other employee benefits | 2,179 | 2,103 |
| **b) Post-employment benefits** | **1,134** | **852** |
| b.1) Defined-contribution commitments | 1,065 | 783 |
| b.2) Defined-benefit commitments | 69 | 69 |
| **c) Termination benefits** | **500** | **176** |
| **d) Share-based payments** | **(78)** | **13** |
| **TOTAL** | **25,623** | **22,798** |

(FIGURES IN €000)

2. 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). All of these correspond to liability personnel.

### 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 | 2012 | 2011 |
|---|---|---|
| **Present value of obligation at 1 January** | 455 | 455 |
| Cost of services in the year under review | | |
| Interest cost | 21 | 22 |
| Contributions made by plan members | | |
| Actuarial losses and gains | 3 | 3 |
| Changes due to exchange rate variations | | |
| Benefits paid | (25) | (25) |
| Cost of past services | | |
| Other | (3) | |
| Settlements | | |
| **Present value of obligation at 31 December** | 451 | 455 |

(FIGURES IN €000)

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 | 2012 | 2011 |
|---|---|---|
| **Value of reimbursement rights and assets allocated to plan at 1 January** | 455 | 455 |
| Expected return on assets allocated | 21 | 22 |
| Actuarial losses and gains | 3 | 3 |
| Changes due to exchange rate variations | | |
| Contributions made by the employer | | |
| Contributions made by plan members | | |
| Benefits paid | (25) | (25) |
| Other | (3) | |
| Settlements | | |
| **Value of reimbursement rights and assets allocated to plan at 31 December** | 451 | 455 |

(FIGURES IN €000)

### C) Amounts recognised in the consolidated income statement

The following table details the amounts recognised in the consolidated income statements of the 2012 and 2011 financial years.

| ITEM | 2012 | 2011 |
|---|---|---|
| Cost of services in the year under review | | |
| Interest cost | 21 | 22 |
| Expected return on assets allocated to the plan | | |
| Expected return on any reimbursement right recognised as an asset | (21) | (22) |
| Actuarial losses and gains | | |
| Cost of past services recognised in the year | | |
| Effect of any curtailment or settlement | | |
| Other items | | |
| **TOTAL EXPENSE RECOGNISED IN THE INCOME STATEMENT** | 0 | 0 |

(FIGURES IN €000)

### D) Returns

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

The actual return of plan assets, as well as the investment allocated to the coverage of mathematical provisions is €21,000 and €22,000 for fiscal years 2012 and 2011 respectively.

### E) Assumptions

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

| ITEM | 2012 | 2011 |
|---|---|---|
| **DEMOGRAPHIC ASSUMPTIONS** | | |
| Survival tables | PERMI/F-2000 | PERMI/F-2000 |
| **FINANCIAL ASSUMPTIONS** | | |
| Discount rate | 4.24% | 4.25% |
| Average annual CPI | 3% | 3% |
| Average annual salary increase | - | - |
| Expected return from allocated assets / reimbursement right | 4.24% | 4.25% |
| Other assumptions | | |

### F) Estimates

No contributions are expected to be made for the benefit plans defined for fiscal year 2013.

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 the cash 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 corresponding to 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 of December 2006, which was €3.42 per share.

— Exercise of the right: a maximum of 30% of the right may be exercised during January of the fourth year, a maximum of 30% during January of the seventh year and the rest during January of the tenth 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 to 219,298 shares in the last two financial years, each with the aforementioned exercise price of €3.42 per share.

There have been no plan cancellations in the last two fiscal years.

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 (2011) and the price at the close of the 2012 financial year.

— Underlying asset volatility: that resulting from the performance of the MAPFRE, S.A. share price during the 2012 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. In 2012 and 2011, personnel expenses recorded in the income statement under this heading amounted to €(78,000) and €13,000 respectively, recognising the compensation in the liability account.

4. NUMBER OF EMPLOYEES

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

| ITEM | MANAGEMENT 2012 | | ADMIN 2012 | | SALES 2012 | | OTHER 2012 | | TOTAL 2012 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Men | Women | Men | Women | Men | Women | Men | Women | Men | Women |
| SPAIN | 33 | 15 | 7 | 21 | - | - | 36 | 32 | 76 | 68 |
| UNITED STATES OF AMERICA | 2 | 4 | - | 4 | - | - | 1 | 2 | 3 | 10 |
| BRAZIL | 2 | 1 | - | 3 | - | - | 7 | 2 | 9 | 6 |
| REST OF AMERICA | 6 | 2 | 7 | 14 | 5 | 2 | 11 | 6 | 29 | 24 |
| CHILE | 3 | 1 | 2 | 5 | - | - | 7 | 2 | 12 | 8 |
| EUROPE | 9 | 1 | 4 | 11 | 1 | 1 | 14 | 15 | 28 | 28 |
| PHILIPPINES | 2 | 1 | - | - | - | - | - | 3 | 2 | 4 |
| **AVERAGE TOTAL NUMBER OF EMPLOYEES** | **57** | **25** | **20** | **58** | **6** | **3** | **76** | **62** | **159** | **148** |

| ITEM | MANAGEMENT 2011 | | ADMIN 2011 | | SALES 2011 | | OTHER 2011 | | TOTAL 2011 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Men | Women | Men | Women | Men | Women | Men | Women | Men | Women |
| SPAIN | 33 | 15 | 20 | 7 | - | - | 32 | 31 | 85 | 53 |
| UNITED STATES OF AMERICA | 2 | 4 | 0 | 4 | - | - | 1 | 2 | 3 | 10 |
| BRAZIL | 2 | 1 | 0 | 3 | - | - | 6 | 2 | 8 | 6 |
| REST OF AMERICA | 6 | 2 | 7 | 14 | 5 | 2 | 12 | 6 | 30 | 24 |
| CHILE | 4 | 1 | 2 | 4 | - | - | 7 | 2 | 13 | 7 |
| EUROPE | 7 | 1 | 3 | 10 | 1 | 1 | 14 | 12 | 25 | 24 |
| PHILIPPINES | 2 | 1 | - | - | - | - | - | 3 | 2 | 4 |
| **AVERAGE TOTAL NUMBER OF EMPLOYEES** | **56** | **25** | **32** | **42** | **6** | **3** | **72** | **58** | **166** | **128** |

## 6.19. Net results of exchange differences

Positive exchange differences allocated to the consolidated income statement amounted to €239.7 million and €254.9 million in the 2012 and 2011 financial years, respectively.

Positive exchange differences allocated to the consolidated income statement amounted to €239.1 million and €258.7 million in the 2012 and 2011 financial years, respectively.

The reconciliation of the exchange differences recognised in equity at the beginning and end of 2012 and 2011 is shown below.

| DESCRIPTION | AMOUNT | |
|---|---|---|
| | 2012 | 2011 |
| **Exchange differences at the beginning of the year** | **29,361** | **37,936** |
| Net exchange difference on translation of financial statements | (113) | (8,879) |
| Net difference in valuation change for non-monetary items | 407 | 304 |
| **EXCHANGE DIFFERENCES AT YEAR END** | **29,655** | **29,361** |

(FIGURES IN €000)

The following table shows at 31 December 2012 and 2011, net exchange differences arising from the translation into Euros of the financial statements:

**Of fully consolidated companies**

| FULLY CONSOLIDATED COMPANIES | Geographical area | Translation differences POSITIVE 2012 | POSITIVE 2011 | NEGATIVE 2012 | NEGATIVE 2011 | NET 2012 | NET 2011 |
|---|---|---|---|---|---|---|---|
| INVERSIONES IBERICAS | CHILE | 2,375 | 1,411 | - | - | 2,375 | 1,411 |
| MAPFRE CHILE RE | CHILE | 8,180 | 4,368 | - | - | 8,180 | 4,368 |
| MAPFRE RE BRASIL | BRAZIL | - | 699 | (4,190) | - | (4,190) | 699 |
| RMI | UNITED STATES | 1 | 1 | - | - | 1 | 1 |
| MAPFRE RE | SPAIN | 23,289 | 22,882 | - | - | 23,289 | 22,882 |
| **TOTAL** | | **33,845** | **29,361** | **(4,190)** | **-** | **29,655** | **29,361** |

(FIGURES IN €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**

| COMPANY | Geographical area | Translation differences POSITIVE 2012 | POSITIVE 2011 | NEGATIVE 2012 | NEGATIVE 2011 | NET 2012 | NET 2011 |
|---|---|---|---|---|---|---|---|
| MAPFRE RE | SPAIN | 1,085 | 678 | | | 1,085 | 678 |
| **TOTAL** | | **1,085** | **678** | | | **1,085** | **678** |

(FIGURES IN €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$ 0.93 million. The contract of sale of this company to MAPFRE USA provides for a price adjustment after three years extended to four years in July 2010, depending on how MRC's business develops. Any adjustment would be subject to a maximum 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 the details of transactions carried out between Group companies; these have a null effect on the results, as they are eliminated in the consolidation process.

| ITEM | EXPENSES 2012 | EXPENSES 2011 | INCOME 2012 | INCOME 2011 |
|---|---|---|---|---|
| Services received/provided and other expenses/income | 1,466 | 1,406 | 1,284 | 1,253 |
| Expenses/income from investment property | - | - | - | - |
| Expenses/income from investments and financial accounts | - | (3) | - | 149 |
| Dividends paid out | - | - | 16,791 | 4,604 |
| **TOTAL** | **1,466** | **1,403** | **18,075** | **6,006** |

(FIGURES IN €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:

| ITEM | EXPENSES 2012 | EXPENSES 2011 |
|---|---|---|
| Expenses and income from investment property | 2,702 | - |
| Expenses and income from investments and financial accounts | 2,372 | 1,500 |
| External services and other non-underwriting expenses/income | 4,194 | 3,260 |
| Dividends paid out | - | - |
| **TOTAL** | **9,268** | **4,760** |

(FIGURES IN €000)

## REINSURANCE OPERATIONS

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

| | EXPENSES | | INCOME | |
|---|---|---|---|---|
| ITEM | 2012 | 2011 | 2012 | 2011 |
| Premiums ceded/accepted | 24,618 | 45,059 | (24,004) | (46,380) |
| Claims | 27,149 | 19,799 | (27,111) | (18,827) |
| Change in technical provisions | 1,040 | 2,382 | (1,434) | (2,160) |
| Commissions | (6,376) | (12,311) | 6,558 | 12,495 |
| Other income and underwriting expenses | - | - | - | - |
| **TOTAL** | **46,431** | **54,929** | **(45,991)** | **(54,872)** |

(FIGURES IN €000)

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

| | Income/Expenses | | | |
|---|---|---|---|---|
| | ASSUMED REINSURANCE | | CEDED REINSURANCE | |
| ITEM | 2012 | 2011 | 2012 | 2011 |
| Premiums | 1,161,312 | 1,003,306 | (79,434) | (89,060) |
| Claims | (523,287) | (556,901) | 10,631 | 17,709 |
| Commissions | (285,933) | (218,976) | 5,418 | 4,744 |
| **TOTAL** | **352,092** | **227,429** | **(63,385)** | **(66,607)** |

(FIGURES IN €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 consolidatable Group that have been eliminated in the course of consolidation, as well as with MAPFRE S.A.'s consolidatable group:

| | Balances eliminated | | | | Balances not eliminated | | | |
|---|---|---|---|---|---|---|---|---|
| | ASSUMED REINSURANCE | | CEDED REINSURANCE | | ASSUMED REINSURANCE | | CEDED REINSURANCE | |
| ITEM | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Receivables and payables | 788 | (1,529) | - | - | 65,575 | 86,166 | (25,231) | (13,588) |
| Deposits | (949) | (1,344) | (942) | 1,359 | 103,428 | 103,234 | (171) | (210) |
| Technical provisions | 26,430 | 27,866 | (26,730) | (27,770) | (806,626) | (791,713) | 44,771 | 35,318 |
| **TOTAL** | **26,269** | **24,993** | **(27,672)** | **(26,411)** | **(637,623)** | **(602,313)** | **19,369** | **21,520** |

(FIGURES IN €000)

## REMUNERATIONS 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 | |
|---|---|---|
| ITEM | 2012 | 2011 |
| Short-term benefits | | |
| Salaries | 426.10 | 404.80 |
| Fixed allowances | 231.12 | 229.17 |
| Attendance fees | 31.98 | 34.44 |
| Life Insurances | 21.85 | 24.43 |
| Other items | 15.94 | 12.70 |
| Post-employment benefits | | |
| Defined contribution | 115.29 | 109 |
| **TOTAL** | **842.28** | **814.54** |

(FIGURES IN €000)

The basic remuneration of outside directors consists of a fixed annual allowance for belonging to the Board of Directors, amounting to €28,408 in 2012 and €27,743 in 2011.

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 €3,133 in 2012 and €3,059 in 2011.

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; they are also entitled to certain supplementary retirement pensions which are provided through defined-contribution plans externalised through a life insurance policy, 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 2012 and 2011, 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.

| ITEM | Grant 2012 | Grant 2011 |
|---|---|---|
| At 1 January | | |
| Received during the year | 32 | 50 |
| Transferred to earnings | 32 | 50 |
| At 31 December | | |

(FIGURES IN €000)

All of the conditions or contingencies associated with these grants have been complied with.

### 6.22. Events subsequent to the date of the balance sheet

There are no notable events subsequent to the close of the fiscal year.

## 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 | These groups, separately for 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 Economic Area coordinates activities relating to the quantification of risks and, in particular, implementation of the Company's own financial capital models in the operating divisions 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 by the Group risk management Director. The degree of progress in 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. The financial risks are supervised by the Group Investment Area.

### Risk and capital assessment

MAPFRE has an internal capitalisation and dividend policy aimed at rationally and objectively providing the Divisions 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 generally determined approximately on the basis of the budgets for the following year and is revised regularly 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 higher 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 prepares 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, such that the managers of each area or department identify and assess annually the potential risks affecting the business and 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, characterised by an elevated proportion of fixed-income investment-grade securities.

In the management of investment portfolios it stands out among those that look to combine the derived obligations from insurance contracts and those where active management is carried out. The first ones minimize the exchange rate risk and other price variation risks, while the second ones take on a certain amount of market risk according to the following:

— In the portfolios that do not cover long-term passive obligations, the variable for handling the exchange rate risk is the modified duration.

— Exposure to the exchange rate risk is minimized in the case of insurer liabilities, admitting an exposure to this type of risk that does not exceed a fixed percentage over the excess of appropriate assets for coverage.

— Investments in shares are subject to a maximum limit for the investment portfolio.

— The risk limitations are established in quantitative terms, measured based on variables that are easily observed. Nevertheless, a risk analysis is also carried out in terms of probabilities based on historic 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 carefully 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 specialising 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 a particularly important element and its determination is supported by specific computer applications.

Claims handling and the adequacy of provisions are basic principles of insurance management. Technical provisions are estimated by the actuarial teams of the different 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 risk to be given special treatment. The Divisions and Companies exposed to risks of this type – essentially MAPFRE AMÉRICA, MAPFRE INTERNATIONAL 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. The Company annually determines the global catastrophic capacity that it assigns each territory and establishes maximum underwriting capacities per risk and event. In addition, it has risk reversal protection programs for covering deviations or increases of catastrophic claims in different territories.

MAPFRE's policy regarding reinsurance risk is to turn over the business to reinsurers of proven financial capability (Standard & Poor's financial solvency rating of no less 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.

| ITEM | IMPACT ON RESULTS OF A 1% CHANGE IN THE COMBINED RATIO | | VOLATILITY INDEX OF THE COMBINED RATIO | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Main activity outside Spain | | | | |
| Reinsurance | 12,503 | 10,279 | 2.4 | 2.9 |

(FIGURES IN €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 allows to control the level of concentration of the insurance risk.

It is a 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:

**2012 financial year**

| ITEM | Assumed (inward) reinsurance | | | |
|---|---|---|---|---|
| | | NON-LIFE | | |
| | LIFE | Catastrophe risk | Other risks | TOTAL |
| Written premium from assumed reinsurance | 461,372 | 486,223 | 1,896,873 | 2,844,468 |

(FIGURES IN €000)

**2011 financial year**

| ITEM | Assumed (inward) reinsurance | | | |
|---|---|---|---|---|
| | | NON-LIFE | | |
| | LIFE | Catastrophe risk | Other risks | TOTAL |
| Written premium from assumed reinsurance | 369,334 | 454,686 | 1,806,708 | 2,630,728 |

(FIGURES IN €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:

**2012 financial year**

| GEOGRAPHICAL AREA | REINSURANCE | | |
|---|---|---|---|
| | LIFE | NON-LIFE | TOTAL |
| SPAIN | 84,579 | 402,545 | 487,124 |
| UNITED STATES OF AMERICA | 8,140 | 240,354 | 248,494 |
| BRAZIL | 36,870 | 218,387 | 255,257 |
| MEXICO | 13,932 | 100,818 | 114,750 |
| VENEZUELA | 4,512 | 50,111 | 54,623 |
| COLOMBIA | 34,541 | 90,560 | 125,101 |
| ARGENTINA | 10,746 | 65,013 | 75,759 |
| TURKEY | 581 | 78,630 | 79,211 |
| CHILE | 10,537 | 115,030 | 125,567 |
| OTHER COUNTRIES | 256,934 | 1,021,648 | 1,278,582 |
| **TOTAL** | **461,372** | **2,383,096** | **2,844,468** |

(FIGURES IN €000)

**2011 financial year**

| GEOGRAPHICAL AREA | REINSURANCE | | |
|---|---|---|---|
| | LIFE | NON-LIFE | TOTAL |
| SPAIN | 81,121 | 434,282 | 515,403 |
| UNITED STATES OF AMERICA | 6,940 | 178,737 | 185,677 |
| BRAZIL | 18,442 | 158,549 | 176,991 |
| MEXICO | 19,910 | 112,265 | 132,175 |
| VENEZUELA | 4,536 | 59,138 | 63,674 |
| COLOMBIA | 24,359 | 83,818 | 108,177 |
| ARGENTINA | 8,127 | 67,916 | 76,043 |
| TURKEY | 635 | 62,782 | 63,417 |
| CHILE | 9,872 | 104,089 | 113,961 |
| OTHER COUNTRIES | 195,392 | 999,818 | 1,195,210 |
| **TOTAL** | **369,334** | **2,261,394** | **2,630,728** |

(FIGURES IN €000)

### 2.c) Premium income by currency

The following table gives a breakdown of premiums written for assumed reinsurance for the last two financial years:

| CURRENCY | WRITTEN PREMIUM | |
|---|---|---|
| | 2012 | 2011 |
| Euro | 1,018,811 | 1,016,082 |
| US Dollar | 714,128 | 624,056 |
| Mexican Peso | 79,102 | 84,864 |
| Brazilian Real | 224,192 | 149,656 |
| Turkish Lira | 74,744 | 58,822 |
| Chilean Peso | 108,191 | 97,484 |
| Venezuelan Bolivar | 45,451 | 54,555 |
| Argentinian Peso | 45,341 | 50,575 |
| Colombian Peso | 120,197 | 102,837 |
| Pound Sterling | 59,107 | 66,947 |
| Canadian Dollar | 18,773 | 18,145 |
| Philippine Peso | 9,098 | 8,810 |
| Other currencies | 327,333 | 297,895 |
| **TOTAL** | **2,844,468** | **2,630,728** |

## 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 | | | |
| ITEM | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Provision for life insurance | - | - | 25,088 | 21,119 | 25,088 | 21,119 |
| Provision for outstanding claims | 74,829 | 33,214 | 493,177 | 611,293 | 568,006 | 644,507 |
| Receivables from ceded and retroceded reinsurance operations | 26,213 | 1,214 | 47,524 | 19,298 | 73,737 | 20,512 |
| Payables arising out of ceded and retroceded reinsurance operations | (30,422) | (7,945) | (61,395) | (52,103) | (91,817) | (60,048) |
| **TOTAL NET POSITION** | **70,620** | **26,483** | **504,394** | **599,607** | **575,014** | **626,090** |

(FIGURES IN €000)

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

| | Book value | | | | | |
|---|---|---|---|---|---|---|
| | Companies | | | | TOTAL | |
| | GROUP | | NON-GROUP | | | |
| REINSURERS' CREDIT RATING | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| AAA | - | - | (43) | (42) | (43) | (42) |
| AA | - | 27,166 | 226,074 | 182,496 | 226,074 | 209,662 |
| A | - | (177) | 227,190 | 277,837 | 227,190 | 277,660 |
| BBB | 70,620 | - | 26,605 | 17,900 | 97,225 | 17,900 |
| BB or lower | - | - | 126 | 82 | 126 | 82 |
| NO CREDIT RATING | - | (506) | 20,930 | 121,334 | 20,930 | 120,828 |
| **TOTAL** | **70,620** | **26,483** | **500,882** | **599,607** | **571,502** | **626,090** |

(FIGURES IN €000)

The Parent Company has a payment guarantee for the amount of €21,114,000 (€119,625,000 in 2011) corresponding to 100.8% (98.6% in 2011) of the credit against unrated reinsurance companies.

There are no fixed income values in arrears for fiscal years 2012 and 2011.

### 2. Credit risks arising from 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 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| AAA | - | - | 501,226 | 281,229 | 6,555 | - | - | |
| AA | - | - | 695,843 | 1,070,827 | - | - | 8,076 | 39,002 |
| A | - | - | 354,127 | 322,215 | 2,727 | 9,897 | 132,024 | 92,386 |
| BBB | - | - | 747,479 | 212,254 | - | - | 8,961 | 2,410 |
| BB or lower | - | - | 115,600 | 109,835 | - | - | 119 | 1,665 |
| NO CREDIT RATING | - | - | 187 | 423 | - | - | 12 | 14,267 |
| **TOTAL** | **-** | **-** | **2,414,462** | **1,996,783** | **9,282** | **9,897** | **149,192** | **149,730** |

(FIGURES IN €000)

### 3. Loans and receivables

The following table shows the breakdown of receivables as at 31 December 2012 and 2011; 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 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| I. Payables arising out of reinsurance operations | 275,595 | 247,490 | | 1,624 | 137 | | | |
| II. Tax credits | 13,539 | 13,320 | | | | | | |
| III. Corporate and other loans | 21,808 | 5,465 | | | | | | |
| TOTAL | 310,942 | 266,275 | | 1,624 | 137 | | | |

(FIGURES IN €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 insured and creditors. Thus, at 31 of December 2012, the cash and other liquid assets balance amounted to €149.2 million (€149.7 million in the previous year), equivalent to 5.32% (6.24% in 2011) 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 investments in fixed-income are investment-grade and are negotiable 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 2012 and 2011 are given below:

**2012 Financial year**

| | ESTIMATED CASH OUTFLOWS IN YEARS | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| ITEM | 1st year | 2nd year | 3rd year | 4th year | 5th year | 6th to 10th years | Subsequent years | Balance |
| Provision for unearned premiums | 940,690 | 107,814 | 32,358 | 21,219 | 15,354 | 30,395 | 8,476 | 1,156,306 |
| Provision for unexpired risks | | | | | | | | |
| Provision for life insurance | 124,359 | 16,802 | 8,793 | 6,143 | 8,536 | 43,585 | 49,438 | 257,656 |
| Provision for claims | 1,019,057 | 393,677 | 113,873 | 49,977 | 39,005 | 132,129 | 51,512 | 1,799,230 |
| Other technical provisions | | | | | | | | |
| Payables arising out of reinsurance operations | 242,248 | | | | | | | 242,248 |
| TOTAL | 2,326,354 | 518,293 | 155,024 | 77,339 | 62,895 | 206,109 | 109,426 | 3,455,440 |

(FIGURES IN €000)

**2011 Financial year**

| ITEM | ESTIMATED CASH OUTFLOWS IN YEARS | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 1st year | 2nd year | 3rd year | 4th year | 5th year | 6th to 10th years | Subsequent years | Balance |
| Provision for unearned premiums | 931,317 | 110,165 | 32,743 | 21,250 | 15,511 | 31,677 | 9,496 | 1,152,159 |
| Provision for unexpired risks | | | | | | | | |
| Provision for life insurance | | | | | | | | |
| Provision for claims | 93,168 | 13,410 | 6,604 | 3,999 | 4,313 | 27,583 | 51,819 | 200,896 |
| Other technical provisions | 1,024,207 | 383,761 | 117,865 | 50,307 | 40,105 | 139,511 | 54,703 | 1,810,459 |
| Payables arising out of reinsurance operations | 162,479 | | | | | | | 162,479 |
| **TOTAL** | **2,211,171** | **507,336** | **157,212** | **75,556** | **59,929** | **198,771** | **116,018** | **3,325,993** |

(FIGURES IN €000)

## D) MARKET RISK

The MAPFRE Investment Area periodically carries out different sensibility analyses of the investments portfolio value to market risk.

Among the most usual indicators are the modified duration for fixed income and the VaR (Value at Risk) for equities.

### 1. Interest rate risk

The table below contains significant information for the last two fiscal years on the extent to which financial assets 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 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Held to maturity | | | | | | | | |
| Available for sale | 2,342,544 | 1,832,543 | 92,078 | 239,866 | 181,604 | 145,458 | 2,616,226 | 2,217,867 |
| Trading | - | | 35,360 | 30,992 | 1,261 | 905 | 36,621 | 31,897 |
| Other investments | 46,697 | 145,018 | - | | - | | 46,697 | 145,018 |
| **TOTAL** | **2,389,241** | **1,977,561** | **127,438** | **270,858** | **182,865** | **146,363** | **2,699,544** | **2,394,782** |

(FIGURES IN €000)

The following tables show the breakdown of financial investments by maturity, average interest rate and modified duration for the financial years 2012 and 2011:

**31 of December 2012**

| | | MATURITY IN: | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| ITEM | Closing balance | 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 | 2,414,462 | 215,123 | 217,904 | 235,252 | 228,357 | 596,254 | 921,572 | 3.90% | 4.49% |
| Other investments | 201,764 | 201,764 | | | | | | 3.81% | |
| **TOTAL AVAILABLE-FOR-SALE PORTFOLIO** | **2,616,226** | **416,887** | **217,904** | **235,252** | **228,357** | **596,254** | **921,572** | | |
| **TRADING PORTFOLIO** | | | | | | | | | |
| Others | 36,621 | 36,621 | | | | | | 0.50% | |
| **TOTAL TRADING PORTFOLIO** | **36,621** | **36,621** | **-** | **-** | **-** | **-** | **-** | | |

(FIGURES IN €000)

**December 31, 2011**

| | | MATURITY IN: | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| ITEM | Closing balance | 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 | 1,996,783 | 272,617 | 229,412 | 299,661 | 196,664 | 221,382 | 777,047 | 4.27% | 3.85% |
| Other investments | 221,084 | 221,084 | | | | | | 4.36% | |
| **TOTAL AVAILABLE-FOR-SALE PORTFOLIO** | **2,217,867** | **493,701** | **229,412** | **299,661** | **196,664** | **221,382** | **777,047** | | |
| **TRADING PORTFOLIO** | | | | | | | | | |
| Others | 31,896 | 31,896 | | | | | | 1 | |
| **TOTAL TRADING PORTFOLIO** | **31,896** | **31,896** | - | - | - | - | - | | |

(FIGURES IN €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 balances included under the heading "Credits" for the assets of the balance and under the heading "Debts" for the liabilities of the balance, do not accrue interest and in general their liquidation is produced in the following fiscal 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 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Euro | 2,854,806 | 2,751,126 | 1,560,208 | 1,638,434 | 1,294,598 | 1,112,692 |
| US Dollar | 790,785 | 635,745 | 594,450 | 499,504 | 196,335 | 136,241 |
| Mexican Peso | 28,492 | 35,762 | 59,069 | 52,631 | (30,577) | (16,869) |
| Brazilian Real | 308,618 | 270,372 | 317,887 | 205,558 | (9,269) | 64,814 |
| Turkish Lira | 177,113 | 26,498 | 209,815 | 43,836 | (32,702) | (17,338) |
| Chilean Peso | 6,957 | 194,798 | 23,098 | 196,005 | (16,141) | (1,207) |
| Venezuelan Bolivar | 19,390 | 3,117 | 32,911 | 146 | (13,521) | 2,971 |
| Argentinian Peso | 37,231 | 7,765 | 109,934 | 22,730 | (72,703) | (14,965) |
| Colombian Peso | 56,258 | 31,780 | 43,680 | 91,109 | 12,578 | (59,329) |
| Pound Sterling | 37,297 | 58,633 | 18,775 | 44,028 | 18,522 | 14,605 |
| Canadian Dollar | 5,380 | 36,581 | 11,338 | 18,618 | (5,958) | 17,963 |
| Philippine Peso | 30,957 | 5,870 | 60,083 | 9,511 | (29,126) | (3,641) |
| Other currencies | 259,580 | 305,433 | 603,049 | 693,709 | (343,469) | (388,276) |
| **TOTAL** | **4,612,864** | **4,363,480** | **3,644,297** | **3,515,819** | **968,567** | **847,661** |

(FIGURES IN €000)

The sensitivity of the Group's shareholders to variations in exchange rates against the euro for the different currencies in which the assets are denominated is determined by the total net amount described in the table above, minus the amount of non-monetary items. In the same manner, the effect on the Group's future earnings from said variations in exchange rates is determined by the performance volume in each currency. In this respect, Appendix 1 breaks down the performance for each Group Company and the country in which its operations are located.

### 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 | 2012 | 2011 | 2012 | 2011 |
| Available for sale | 110,760 | 145,458 | 36 | 42 |
| Trading | 36,621 | 21,264 | - | - |
| **TOTAL** | **147,381** | **166,722** | **36** | **42** |

(FIGURES IN €000)

### Property risk

In its consolidatable group, MAPFRE RE has property assets representing approximately 0.48% of total investments and cash, of which approximately 0.29% is used for the Company's own offices. These assets fulfil the dual function of supporting administration and sales, as well as generating investments income and diversifying investments. The breakdown of these property assets is shown in the following table:

| | NET BOOK VALUE | | MARKET VALUE | |
|---|---|---|---|---|
| PORTFOLIO | 2012 | 2011 | 2012 | 2011 |
| Investment property | 6,089 | 6,123 | 7,994 | 7,331 |
| Own-use property | 9,412 | 7,870 | 10,688 | 9,476 |
| **TOTAL** | **15,501** | **13,993** | **18,682** | **16,807** |

(FIGURES IN €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.

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

The Parent Company's directors did not have any stakes in the capital of companies having the same, similar or complementary nature of activity to that of the Parent Company. Nor did they carry out on their own or someone else's behalf the same, similar or complementary activity to that of the Group companies' corporate purpose, with the following exceptions:

| DIRECTOR | Company | Number of shares/stocks | Office/Position |
|---|---|---|---|
| Mr. Ricardo Blanco | Ing, Group | 45,387 | – |
| | Axa | 11,157 | – |
| | Allianz Ag. | 5,610 | – |
| Mr. Javier Fernández-Cid | Vaudoise Assurances Holding S.A. | 100 | External Director |
| Mr. Philippe Hebeisen | Vaudoise Assurances Holding S.A. | 98 | CEO |
| | Zurich Financial Services | 10 | – |
| Mr. Ricky Louis Means | Shelter Insurance Companies, USA | – | President & Chief Executive Officer |
| Mr. Giovanni Battista Mazzucchelli | Societá Cattolica Assicurazioni | 1,010 | CEO |
| | Unipol Privilegiate | 175 | – |
| | Generali | 4,200 | – |
| Mr. Domingo Sugranyes | Cattolica Assicurazioni | 110 | Director |
| Mr. Michael H. Tripp | Ecclesiastical Insurance Office Plc | – | Group Chief Executive |
| Mediación y Diagnósticos, S.L. Participaciones y Cartera de Inversión, S.L. | Aseguradora Valenciana, S.A. | 24.02* | – |
| | Caja Rioja Mediación de Seguros Operador de Banca Seguros Vinculado, S.A.U. | 48.05* | – |
| | Caja Segovia Operador de Banca Seguros Vinculado, S.A.U. | 48.05* | – |
| | La Caja de Canarias Mediación Operador de Banca Seguros Vinculado, S.A.U. | 48.05* | – |
| | Laietana Generales Cia de Seguros de la Caja de Ahorros Laietana, S.A.U. | 48.05* | – |
| | Laietana Mediación Operador de Banca Seguros Vinculado, S.A.U. | 48.05* | – |
| | Laietana Vida Compañía de Seguros de la Caja de Ahorros Laietana, S.A.U. | 48.05* | – |
| | Seguravila Operador de Banca Seguros Vinculado de Caja de Ahorros de Ávila, S.L. | 48.05* | – |
| | Segurcaja, S.A. Correduría de Seguros del Grupo Caja Madrid | 48.05* | – |
| | Caser Caja de Seguros Reunidos Cia de Seguros y Reaseguros, S.A. | 2.62* | – |

(*) The direct % held by BFA in BANKIA has been considered with regard to ownership share.

The following table details the shares in MAPFRE S.A. held by the Parent Company's directors at 31 of December 2012, 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. Ángel Alonso | MAPFRE AMÉRICA; MAPFRE SEGUROS DE EMPRESAS | 45,778 |
| Mr. Rafael Casas | MAPFRE AMÉRICA; MAPFRE GLOBAL RISKS; MAPFRE INTERNACIONAL; MAPFRE INVERSIÓN S. V.; MAPFRE ASISTENCIA; MAPFRE CAUCIÓN Y CRÉDITO; MAPFRE SEGUROS DE EMPRESAS; MAPFRE SOFT. | 82,231 |
| Mr. Ricardo Blanco | MAPFRE INTERNACIONAL; MAPFRE CAUCIÓN Y CRÉDITO. | 248,210 |
| Mr. Pedro José de Macedo | MAPFRE GLOBAL RISKS; MAPFRE ASISTENCIA; MAPFRE AMÉRICA; MAPFRE INTERNACIONAL; MAPFRE SEGUROS GERAIS (PORTUGAL); REINSURANCE MANG. INC.-RMI (U.S.A.); CIAR INVESTMENTS (BÉLGICA). | 8,484 |
| Mediación y Diagnósticos, S. A. | MAPFRE-CAJA MADRID VIDA; MAPFRE FAMILIAR; MAPFRE SEGUROS DE EMPRESAS. | – |
| 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 S.G.A.; MAPFRE VIDA. | – |
| Mr. Claudio Ramos | 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 Salva | MAPFRE S.A.; MAPFRE FAMILIAR; MAPFRE GLOBAL RISKS; MAPFRE SEGUROS GERAIS (PORTUGAL) | 819,598 |
| Mr. Domingo Sugranyes | MAPFRE INTERNACIONAL; MAPFRE FAMILIAR; MAPFRE USA CORPORATION. | 67,587 |
| Mr. Javier Fernández-Cid | MAPFRE INTERNACIONAL; MAPFRE ASISTENCIA; MAPFRE SEGUROS DE EMPRESAS; MAPFRE GLOBAL RISKS; MAPFRE AMÉRICA; MAPFRE CAUCIÓN Y CRÉDITO; MAPFRE USA CORPORATION; MAPFRE INSULAR; MIDDLESEA INS. | – |
| Mr. Rafael Senén | MAPFRE ASISTENCIA; MAPFRE GLOBAL RISKS; MAPFRE INTERNATIONAL; BENELUX ASSIST (Belgium); ABRAXAS INSURANCE ADMINISTRATION SERVICES (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 (Venezuela); CARIBE ASISTENCIA (Dominican Republic); VIAJES MAPFRE (Dominican Republic); FEDERAL ASSIST (United States); BRICKELL FINALCIAL SERVICES MOTOR CLUB INC. (ROAD AMERICA) (United States); CENTURY AUTOMOTIVE SERVICE CORPORATION (United States); MAPFRE ASSISTANCE USA INC (United States); ROAD-CHINA ASISTANCE (China); ROADSIDE ASSISTANCE PRIVATE (India); MAPFRE WARRANTY (Japan); MAPFRE ASISTENCIA (Hong Kong); MAPFRE ASISTENCIA COMPANY (Taiwan). | – |
| Mr. Lorenzo Garagorri | – | 27,778 |
| Mr. Pedro López | MAPFRE INVERSIÓN SOCIEDAD DE VALORES; MAPFRE GLOBAL RISKS; MAPFRE GENEL SIGORTA (TURQUIA); MAPFRE GENEL YASAM (TURQUIA); REINSURANCE MNGT. INC. (USA); MIDDLESEA INSURANCE (MALTA); MIDDLESEA VALETTA LIFE (MALTA). | 2,003 |

### 8.2. External Auditors' fees

The fees accruing to the External Auditors in the 2012 financial year for their services in auditing the financial statements amounted to €246,856 (€207,967 in 2011); a further €15,798 (€463 in 2011) 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 in the last two financial years any environment-related items that might be significant or specifically included in the present consolidated financial statements.

### 8.4.Deferment of payments

The following is a breakdown of the payment details made to suppliers in the last two fiscal years.

| | 2012 | | 2011 | |
|---|---|---|---|---|
| ITEM | Amount | % | Amount | % |
| Payments made within the minimum legal deadline | 7.98 | 100 | 7.94 | 100 |
| Remaining Payments | | | | |
| Total payments of the year | 7.98 | 100 | 7.94 | 100 |
| Average weighted term payments exceeded (days) | - | - | - | - |
| Deferments that exceed the maximum legal term at the closing date | - | - | - | - |

(FIGURES IN €000)

At the close of fiscal years 2011 and 2012 there were no deferred payments to corporate creditors that exceed the legal term established.

### 8.5. Other matters

By end 2009, the Council of the Spanish Competition Commission penalised MAPFRE EMPRESAS (today, MAPFRE GLOBAL RISKS) and MAPFRE RE, along with two other insurance companies and three reinsurers, for supposed restrictive practices. The penalty consisted of hefty fines, the one imposed jointly on the MAPFRE entities being for the sum of €21,632,000.

As it considers the written pleadings contained in the Resolution, the penalties imposed, to be unlawful, the Company has lodged an appeal with the Audiencia Nacional (National Criminal Court) that finally agreed to suspend payment of the fine with the presentation of the corresponding guarantee. Currently, only a vote and ruling are pending in the procedure.

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 engaged in practices prohibited by the regulations in force.

It should be noted that recently, the Audiencia Nacional has declared judgement in the procedures carried out by other entities against the same resolution and in all cases the resources filed by those sanctioned for the judicial review were fully sustained.

## 9. Additional note for the English translation

These financial statements are presented by applying the International Reporting Standards adopted by the European Union (IFRS –EU).

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 subsidiary and associated companies 2012 (appendix 1)

| COMPANY NAME | Country | Fiscal rate in effect | Activity |
|---|---|---|---|
| CIAR INVESTMENTS | 45, Rue de Treves Brussels (Belgium) | 34% | Property |
| INVERSIONES IBÉRICAS LTDA | Ava. Apoquindo 4499-8º Santiago de Chile (Chile) | 20% | Financial Assets and Property |
| MAPRE CHILE REASEGUROS S.A. | Avda Apoquindo 4499-8º Santiago de Chile (Chile) | 20% | Reinsurance |
| F. ALCORTA S.A. | Bouchard 547 piso 14 Buenos Aires (Argentina) | 35% | Property (in Liquidation) |
| ITSEMAP SERVICIOS TECNOLOGICOS MAPFRE S.A. | Barbara de Braganza 14 Madrid (Spain) | 30% | Consultancy |
| MAPFRE RE DO BRASIL COMPAÑÍA DE REASEGUROS | Rua Olimpiadas 242 5º Andar Sao Paulo (Brazil) | 15% | Reinsurance |
| MAPFRE RE COMPAÑÍA DE REASEGUROS ESCRITORIO DE REPRESENTAÇAO NO BRASIL LTDA | Rua Olimpiadas 242 5º Andar Sao Paulo (Brazil) | 15% | Reinsurance |
| MAPFRE MANDATOS Y SERVICIOS S.A. | Bouchard 547 piso 14 Buenos Aires (Argentina) | 35% | Services |
| MAPFRE INTERNET S.A. (TECH) | Ctra de Pozuelo a Majadahonda nº 52 Madrid (Spain) | 30% | 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 (Brazil) | 31% | Consultancy |
| ITSEMAP CHILE SERVICIOS TECNOLÓGICOS MAPFRE LTDA | Ava. Apoquindo 4499-8º Santiago de Chile (Chile) | 20% | Consultancy |
| CAJA REASEGURADORA DE CHILE | Ava. Apoquindo 4499-8º Santiago de Chile (Chile) | 20% | Reinsurance |
| MAPFRE CHILE SEGUROS, S.A. | Isidoro Goyenechea nº 3520 - Santiago de Chile (Chile) | 20% | Holding |
| INMOBILIARIA COSTA DE MONTEMAR, S.A. | Ava. Apoquindo 4499-8º Santiago de Chile (Chile) | 20% | Property |
| INMOBILIARIA TIRILLUCA, S.A. | Ava. Apoquindo 4499-8º Santiago de Chile (Chile) | 20% | Property |
| ADMINISTRADORA DE PROPIEDADES | Napoleon 3096 Santiago de Chile (Chile) | 20% | Property |
| COMERCIAL TURISMO, S.A. | Napoleon 3096 Santiago de Chile (Chile) | 20% | Property |
| MAPFRE GARANTIAS Y CREDITO CIA DE SEGUROS S.A. | Isidoro Goyenechea nº 3520 - Santiago de Chile (Chile) | 20% | Guarantees and credits |
| C R ARGENTINA S.A | Bouchard 547 piso 14 Buenos Aires (Argentina) | 35% | Services, Consulting |

(FIGURES IN €000)

**Method or procedure of consolidation**

A Subsidiary Companies consolidated by global integration

B Associated participating Companies consolidated by the participation method

C Participating and associated Companies excluded from consolidation

| % OF PARTICIPATION | | INFORMATION AT THE CLOSE OF FISCAL YEAR 2012 | | | | |
|---|---|---|---|---|---|---|
| Owner | In capital stock | Assets | Net equity | Revenue | Earnings from the fiscal year | Method or procedure from consolidation |
| Mapfre Re | 99.9900% | 10,105 | 8,865 | 857 | 398 | A |
| Maplux Re | 0.0100% | | | | | |
| Mapfre Re | 99.9899% | 16,661 | 16,661 | 56 | 56 | A |
| Mapfre Re | 99.9932% | 138,211 | 45,619 | 7,198 | 604 | A |
| Mapfre Re | 99.9985% | 6 | 6 | | | C |
| Mapfre Re | 39.9752% | 3,611 | 2,914 | 2,367 | (149) | B |
| Mapfre Re | 99.9999% | 285,550 | 42,121 | 125,786 | 6,852 | A |
| Mapfre Re | 99.9999% | 53 | 53 | | | C |
| Mapfre Re | 95.0000% | 101 | 92 | 885 | 85 | C |
| Mapfre Argentina | 5.0000% | | | | | |
| Mapfre Re | 1.0000% | 53,738 | 4,547 | 233,777 | 111 | C |
| Mapfre Re | 0.0020% | 5,466 | 3,487 | 5,131 | 471 | C |
| Mapfre Re | 100.0000% | 790 | 16 | | | A |
| Itsemap S.T.M. | 99.9792% | 1,461 | 1,251 | 2,373 | 105 | C |
| Mapfre Re Brasil | 0.0208% | | | | | |
| Itsemap S.T.M | 75.0000% | 43 | 43 | 2 | | C |
| M. Chile Re | 25.0000% | | | | | |
| M. Chile Re | 99.8467% | 87,373 | 15,818 | 4,179 | 475 | A |
| M. Chile Re | 0.0042% | 40,577 | 40,569 | 94 | 81 | C |
| M. Chile Re | 31.4400% | 23,603 | 23,565 | 273 | 969 | B |
| M. Chile Re | 43.7500% | 1,909 | 1,527 | 37 | (65) | B |
| M. Chile Re | 31.2900% | 395 | (183) | 1,794 | (89) | B |
| M. Chile Re | 31.2000% | 666 | 372 | 1,179 | 34 | B |
| M. Chile Re | 0.0077% | 17,382 | 5,201 | 7,563 | 1,214 | C |
| M. Chile Re | 99.9960% | 143 | 108 | | | A |

## Table of subsidiary and associated companies 2011 (appendix 1)

| COMPANY NAME | Country | Fiscal rate in effect | Activity |
|---|---|---|---|
| CIAR INVESTMENTS | 45, Rue de Treves Brussels (Belgium) | 34% | Property |
| INVERSIONES IBÉRICAS LTDA | Ava. Apoquindo 4499-8º Santiago de Chile (Chile) | 20% | Financial Assets and Property |
| MAPFRE CHILE REASEGUROS S.A. | Avda Apoquindo 4499-8º Santiago de Chile (Chile) | 20% | Reinsurance |
| F. ALCORTA S.A. | Bouchard 547 piso 14 Buenos Aires (Argentina) | 35% | Property (in Liquidation) |
| ITSEMAP SERVICIOS TECNOLOGICOS MAPFRE S.A. | Barbara de Braganza 14 Madrid (Spain) | 30% | Consultancy |
| MAPFRE RE DO BRASIL COMPAÑÍA DE REASEGUROS | Rua Olimpiadas 242 5º Andar Sao Paulo (Brazil) | 15% | Reinsurance |
| MAPFRE RE COMPAÑÍA DE REASEGUROS ESCRITORIO DE REPRESENTAÇAO NO BRASIL LTDA | Rua Olimpiadas 242 5º Andar Sao Paulo (Brazil) | 15% | Reinsurance |
| MAPFRE MANDATOS Y SERVICIOS S.A. | Bouchard 547 piso 14 Buenos Aires (Argentina) | 35% | Services |
| MAPFRE INTERNET S.A. | Ctra de Pozuelo a Majadahonda nº 52 Madrid (Spain) | 30% | Information Technology |
| MAPFRE INFORMATICA A.I.E. | Ctra de Pozuelo a Majadahonda nº 52 Madrid (Spain) | 30% | 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 (Brazil) | 15% | Consultancy |
| ITSEMAP CHILE SERVICIOS TECNOLÓGICOS MAPFRE LTDA | Ava. Apoquindo 4499-8º Santiago de Chile (Chile) | 20% | Consultancy |
| CAJA REASEGURADORA DE CHILE | Ava. Apoquindo 4499-8º Santiago de Chile (Chile) | 20% | Reinsurance |
| MAPFRE CHILE SEGUROS, S.A. | Isidoro Goyenechea nº 3520 - Santiago de Chile (Chile) | 20% | Holding Company |
| INMOBILIARIA COSTA DE MONTEMAR, S.A. | Ava. Apoquindo 4499-8º Santiago de Chile (Chile) | 20% | Property |
| INMOBILIARIA TIRILLUCA, S.A. | Ava. Apoquindo 4499-8º Santiago de Chile (Chile) | 20% | Property |
| ADMINISTRADORA DE PROPIEDADES | Napoleon 3096 Santiago de Chile (Chile) | 20% | Property |
| COMERCIAL TURISMO, S.A. | Napoleon 3096 Santiago de Chile (Chile) | 20% | Property |
| MAPFRE GARANTIAS Y CREDITO CIA DE SEGUROS S.A. | Isidoro Goyenechea nº 3520 - Santiago de Chile (Chile) | 20% | Guarantees and credits |
| C R ARGENTINA S.A | Bouchard 547 piso 14 Buenos Aires (Argentina) | 35% | Services, Consulting |

(FIGURES IN €000)

**Method or procedure of consolidation**

A Subsidiary Companies consolidated by global integration

B Associated participating Companies consolidated by the participation method

C Participating and associated Companies excluded from consolidation

| % OF PARTICIPATION | | INFORMATION AT THE CLOSE OF FISCAL YEAR 2011 | | | | |
|---|---|---|---|---|---|---|
| Owner | In capital stock | Assets | Net equity | Revenue | Earnings from the fiscal year | Method or procedure from consolidation |
| Mapfre Re | 99.9900% | 11,051 | 9,635 | 1,156 | 1,088 | A |
| Maplux Re | 0.0100% | | | | | |
| Mapfre Re | 99.9899% | 15,291 | 15,210 | 624 | (31) | A |
| Mapfre Re | 99.9932% | 137,230 | 54,614 | 8,800 | 2,615 | A |
| Mapfre Re | 99.9985% | 7 | 7 | | | C |
| Mapfre Re | 39.9752% | 5,880 | 4,632 | 6,889 | 135 | B |
| Mapfre Re | 99.9999% | 202,186 | 42,333 | 38,422 | 5,757 | A |
| Mapfre Re | 99.9999% | 47 | 47 | | | C |
| Mapfre Re | 95.0000% | 144 | 8 | 1,180 | (67) | C |
| Mapfre Argentina | 5.0000% | | | | | |
| Mapfre Re | 1.0000% | 15,656 | 3,436 | 29,125 | 117 | C |
| Mapfre Re | 1.0000% | 31,046 | 1,000 | 205,605 | | C |
| Mapfre Re | 0.0020% | 3,873 | 2,571 | 3,036 | (407) | C |
| Mapfre Re | 100.0000% | 807 | 16 | | | A |
| Itsemap S.T.M. | 99.9792% | 1,547 | 1,291 | 2,729 | 95 | C |
| Mapfre Re Brasil | 0.0208% | | | | | |
| Itsemap S.T.M | 75.0000% | 39 | 41 | 2 | | C |
| M. Chile Re | 25.0000% | | | | | |
| M. Chile Re | 99.8467% | 76,518 | 15,171 | 3,568 | 86 | A |
| M. Chile Re | 0.0042% | 32,173 | 32,173 | 38 | (17) | C |
| M. Chile Re | 31.4400% | 25,064 | 25,061 | 372 | 2,123 | B |
| M. Chile Re | 43.7500% | 2,733 | 1,600 | 12,867 | 3,048 | B |
| M. Chile Re | 31.2900% | 344 | 138 | 1,539 | (18) | B |
| M. Chile Re | 31.2000% | 529 | 327 | 1,088 | 182 | B |
| M. Chile Re | 0.0077% | 23,271 | 5,801 | 8,455 | (288) | C |
| M. Chile Re | 99.9960% | 132 | 100 | 11 | 6 | A |

# 4
# *Audit report for the Annual Consolidated Financial Statements 2012*

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, 2012, 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 2012 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, 2012, 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.

4. The accompanying 2012 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, 2012. 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.

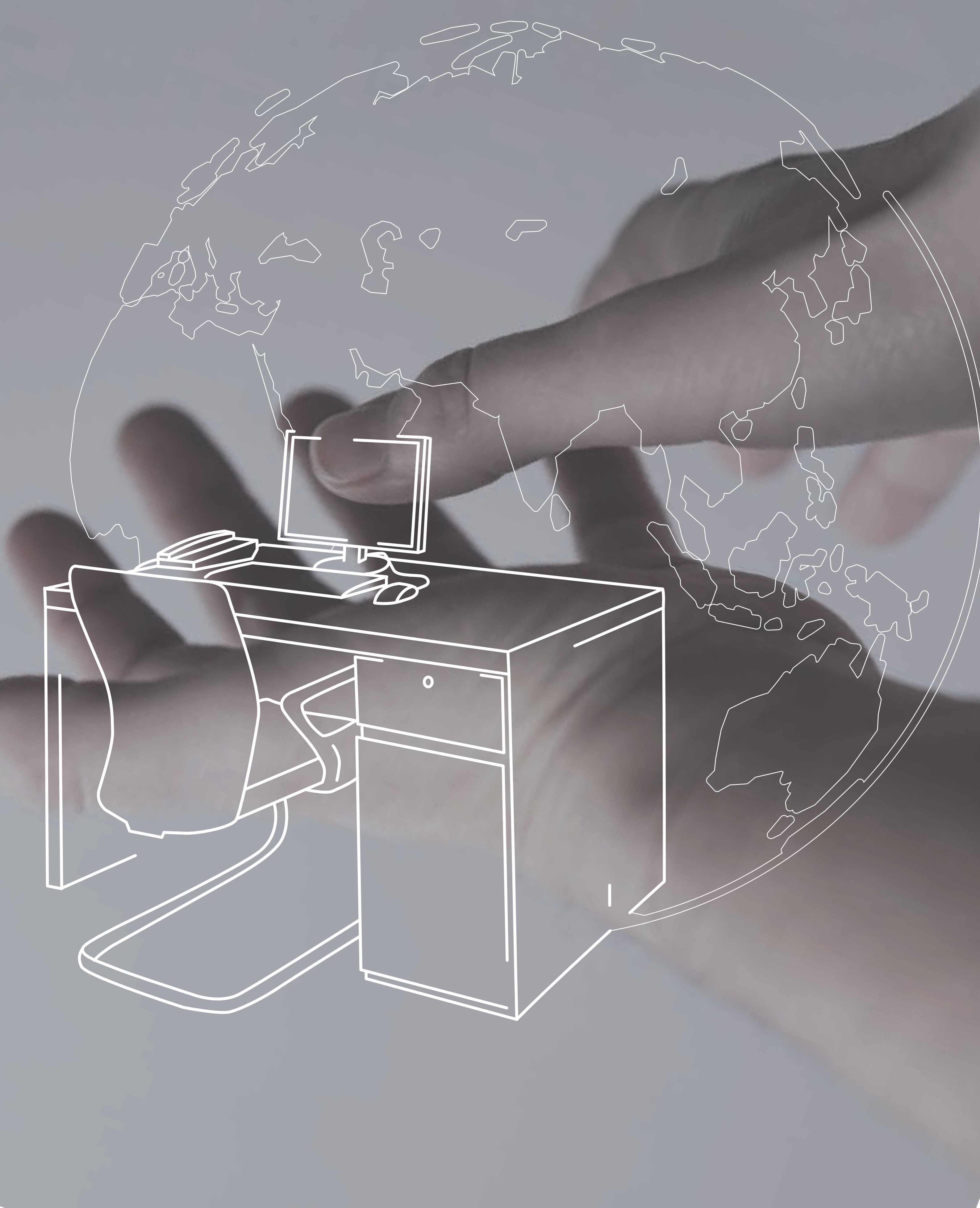
ERNST & YOUNG, S.L.

(signed in the original issued in spanish language)

Alfredo Martínez Cabra

March 8, 2013

# 5
# *Individual Management Report 2012*



MAPFRE RE has maintained an intense activity during 2012, achieving positive earnings, an outstanding increase in underwritten premiums and a significant increase in shareholders' equity.

Up until the third quarter, the reinsurance market has not recorded any large catastrophes. This has allowed reinsurers to present important increases in gains with regard to the same period of the previous year, which was affected by intense catastrophic losses. Hurricane Sandy, which affected the East Coast of the United States, has caused immense damage, but the losses for the reinsurance market as a whole shall be assumed by the income statement for the year. The decrease in financial income and fluctuations in the value of some assets, especially in Europe, should also be considered.

## Business development

### Statement of income

• The premiums posted amounted to €2,754.9 million – a figure which represents a 6.3% increase compared with those posted the previous year. The net premiums posted amounted to €1,791.2 million, representing a growth of 2.3% compared with the previous year.

• The combined ratio for Life and Non-Life business stood at 97.9%, made up of a loss ratio of 68.8%, commission and other acquisition and management expenses amounting to 29.1%.

• The underwriting result came to €36.4 million, while net financial income stood at €90.0 million.

• The income statement showed a result before tax and minority interests of €126.4 million, which was higher than the €94.3 million recorded the previous year. The net profit after tax and minority interests came to €97.5 million, exceeding the amount of €70.2 million the year before.

### Balance sheet

• Shareholders' equity amounted to €910.1 million.

• Net technical provisions reached €2,186.5 million, representing 122.1% of retained premium.

• Financial investments totalled €2,505.1 million, an amount which breaks down into Financial assets held for trading: €10.5 million; Available-for-sale financial assets: €2,424.8 million; Deposits with credit institutions: €0.8 million, and Shares in associated Group companies: €69.0 million.

• Cash and other liquid assets amounted to €129.2 million.

• Total assets came to €4,269.5 million.

## Main Activities

• MAPFRE RE has continued developing intense activity throughout the year from both its central offices, as well as offices abroad; reinforcing contacts with all its clients and brokers.

• During 2012 MAPFRE RE has continued reinforcing its team of human resources with qualified personnel, in order to provide more efficient service to its clients and handle the increasing technical complexity of the reinsurance business. Furthermore, both the employees at headquarters and the offices have participated in training programmes, most notably Advance and the Executive Development Programme (EDP) in English and Spanish, and the MAPFRE Integration Programme (MIP).

• An intense campaign of training courses offered to clients has continued being developed, most notably the International Seminar held in Madrid, with participant from 12 countries; an agriculture insurance seminar in Colombia; a seminar supporting the technical development of a Turkish Pool of Agricultural Insurance; a seminar regarding Solvency II in Spain that was attended by 52 people; and together with the FUNDACIÓN MAPFRE, a course on Advanced Specialization in Life and Health Insurance, which involved the joint participation of 25 people from 11 countries. A reinsurance course was also held, one part e-learning and the other in person, in which 62 people were registered from cedent companies in Chile, Argentina, Venezuela, Colombia and Brazil. The important collaboration with ITSEMAP has continued, offering a total of 12 courses in person and one e-learning also to clients from 11 countries in Europe and America with the participation of a total of 436 people.

• The Entity continues intense preparations for the future entry into force of Solvency II, adapting its computer systems, accounting, statistics and actuarials. Furthermore, it continues participating in the European Insurance Chief Financial Officers Forum. Meetings with the General Directorate of Insurance and Pension Funds have been maintained in order to advance the assessment of the Internal Capital Model.

• Since the end of 2011 and 2012 the Standard & Poor's rating agency has been releasing strong downgrades on the ratings of all Spanish entities along with the downgrade to the rating of the Spanish Kingdom, justifying its decisions on exposure to country risk. Nevertheless, MAPFRE RE has achieved a rating of "BBB +," a rating that is two levels above the country's rating.

AM Best does not impose maximum limits based on country limits. Their criterion is to assess risk management and the geographical diversification of each entity and carry out individual impairment tests. MAPFRE RE was subject to two very demanding impairment tests and in both cases it has maintained its "A" rating.

• MAPFRE RE has recognized the impairment of some of its investments in the fiscal year. Nevertheless, the shareholders' equity and earnings at the close of the fiscal year have increased with regard to the previous year.

• As mentioned earlier, Hurricane Sandy has caused considerable damage. This catastrophic event will have an estimated gross and net impact on the entity of about €57 million.

## Subsidiary and Affiliate Companies

The affiliate companies in Chile, MAPFRE CHILE REASEGUROS and INVERSIONES IBÉRICAS have obtained income for the amount of €7.3 million and earnings before taxes of €1.2 million. Their shareholders' equity is situated at €62.3 million at the close of the fiscal year.

MAPFRE RE DO BRASIL, which continues its positive trend, has obtained income of €58.8 million and earnings before taxes of €12.2 million. Its shareholders' equity is situated at €42.1 million at the close of the fiscal year.

## Outlook

The uncertainty regarding concrete and coordinated policy solutions for the sovereign debt crisis and growth, which during 2012 has diverted investments in bonds considered to be low risk and of little or no profitability, the flow of liquidity poured into the market by the central banks of Japan, the United States, the United Kingdom and the Central Bank of Europe, and the lowering of interests shall maintain the volatility of the financial market. The lowered returns expected from investments and the possible capital losses that may be derived from the volatility of these markets, as well as the sovereign debt situation, in which the sector has a large part of its investments, shall affect the insurance and reinsurance market, which should obtain a positive technical result.

Most reinsurers have begun 2013 with good earnings and increasing capitalization allied with reinsurance capital market interest, which creates much available capacity.

Because of its solvency, professionalism and credibility before its clients and brokers, MAPFRE RE is well positioned to meet these challenges with success.

## Subsequent events

Up until the closing of this report there have been no noteworthy events that could affect either the outlook or the budgets for the current year.

There have been no subsequent events that could affect the financial statements as of 31.12.12.

## 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:

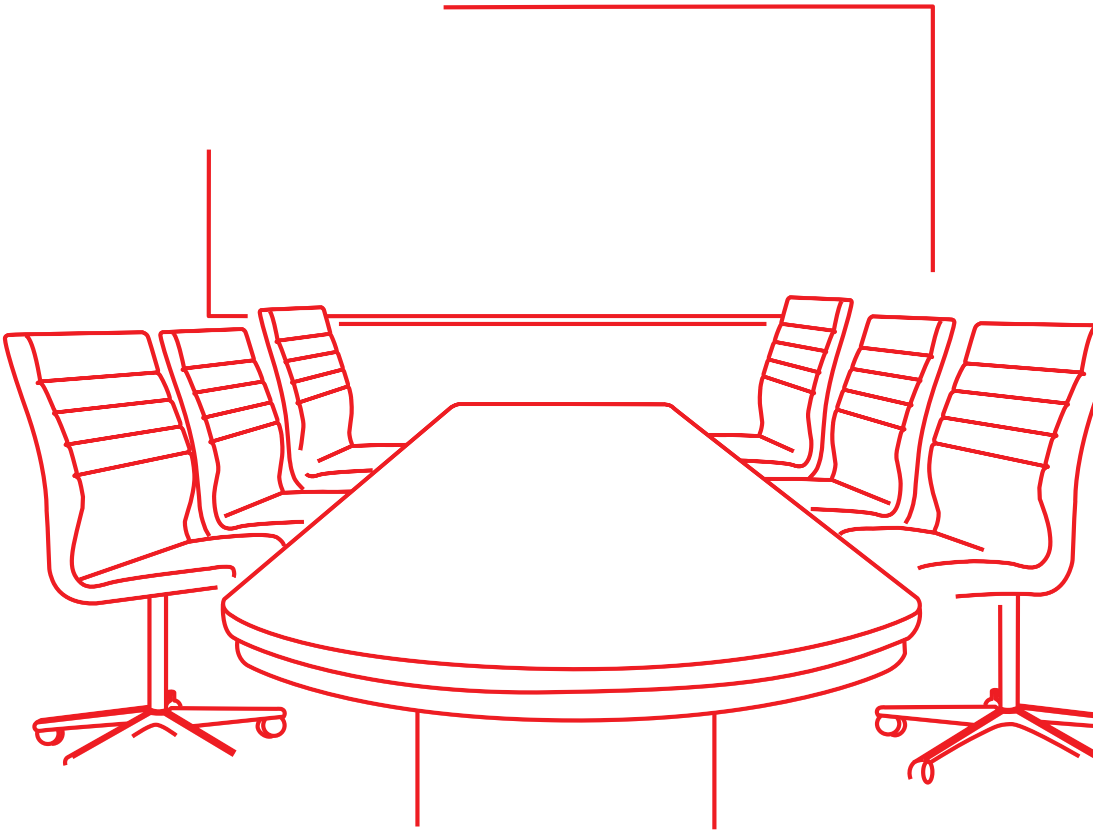
| CATEGORY | 2012 | 2011 | 2010 |
|---|---|---|---|
| Managerial staff | 48 | 47 | 48 |
| Administrative staff | 28 | 27 | 27 |
| Sales staff | 0 | 0 | - |
| Other | 70 | 67 | 60 |
| **TOTAL** | **146** | **141** | **135** |

### 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 2012*

# Balance sheet as at 31 December 2012 & 2011

| A) ASSETS | Notes | 2012 | 2011 |
|---|---|---|---|
| **A-1) Cash and cash equivalents** | 8 | **129,238** | **134,487** |
| **A-2) Financial assets held for trading** | | **10,464** | **10,717** |
| I. Equity instruments | 8 | 10,464 | 10,717 |
| II. Debt securities | | | |
| III. Derivatives | | | |
| IV. Other | | | |
| **A-3) Other financial assets at fair value through profit or loss** | | **89** | **85** |
| I. Equity instruments | 8 | 89 | 85 |
| II. Debt securities | | | |
| III. Hybrid instruments | | | |
| IV. Investments on behalf of unit-linked life insurance policyholders | | | |
| V. Other | | | |
| **A-4) Available-for-sale financial assets** | | **2,424,834** | **2,043,228** |
| I. Equity instruments | 8 | 201,764 | 221,084 |
| II. Debt securities | 8 | 2,223,070 | 1,822,144 |
| IV. Investments on behalf of unit-linked life insurance policyholders | | | |
| III. Other | | | |
| **A-5) Loans and receivables** | | **625,658** | **683,319** |
| I. Debt securities | | | |
| II. Loans | | 35,000 | 85,116 |
| 1. Advances on policies | | | |
| 2. Loans to group and associated companies | 8 | 35,000 | 85,116 |
| 3. Loans to other related companies | | | |
| III. Deposits with credit institutions | 8 | 767 | 37,486 |
| IV. Deposits established for assumed reinsurance | 8 | 366,319 | 337,428 |
| V. Receivables from direct insurance operations | | | |
| 1. Policyholders | | | |
| 2. Brokers | | | |
| VI. Receivables from reinsurance operations | 8 | 195,654 | 195,373 |
| VII. Receivables from coinsurance operations | | | |
| VIII. Called-in payments | | | |
| IX. Other receivables | | 27,918 | 27,916 |
| 1. Receivables from Public Administrations | 8 | 9,565 | 11,019 |
| 2. Rest of Receivables | 8 | 18,353 | 16,897 |
| **A-6) Held-to-maturity investments** | | | |
| **A-7) Hedging derivatives** | | | |
| **A-8) Reinsurance's share of technical provisions** | 4j & 22 | **818,903** | **949,578** |
| I. Provision for unearned premiums | | 284,586 | 300,064 |
| II. Provision for life insurance | | 21,576 | 21,117 |
| III. Provision for outstanding claims | | 512,741 | 628,397 |
| IV. Other technical provisions | | | |
| **A-9) Property, plant and equipment, and investment property** | | **5,678** | **4,081** |
| I. Property, plant and equipment | 5 | 5,678 | 4,081 |
| II. Investment property | | | |
| **A-10) Intangible assets** | | **2,065** | **1,888** |
| I. Goodwill | | | |
| II. Economic rights arising from policy portfolios acquired from brokers | | | |
| III. Other intangible assets | 6 | 2,065 | 1,888 |
| **A-11) Interests in associated Group companies** | | **69,039** | **69,039** |
| I. Interests in associated companies | 8 | 840 | 840 |
| II. Interests in multi-group companies | | | |
| III. Interests in group companies | 8 | 68,199 | 68,199 |
| **A-12) Tax Assets** | | **11,553** | **43,164** |
| I. Current tax assets | | | |
| II. Deferred tax assets | 11 | 11,553 | 43,164 |
| **A-13) Other assets** | | **171,937** | **170,258** |
| I. Assets and reimbursement rights arising from long-term employee benefits | | 535 | 539 |
| II. Advance commission and other acquisition expenses | | | |
| III. Accruals | | 171,398 | 169,719 |
| IV. Rest of assets | | 4 | |
| **A-14) Assets held for sale** | | | |
| **TOTAL ASSETS** | | **4,269,458** | **4,109,844** |

(FIGURES IN EUR 000)

| EQUITY AND LIABILITIES | Notes | 2012 | 2011 |
|---|---|---|---|
| **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** | | **266,099** | **204,131** |
| I. Subordinated liabilities | | | |
| II. Deposits received from ceded (outward) reinsurance | 8 | 73,591 | 80,726 |
| 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 | 175,542 | 108,175 |
| 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: | | 16,966 | 15,230 |
| 1. Payables to Public Administrations | 8 | 14,600 | 11,969 |
| 2. Other payables to Group and associated companies | 8 | 214 | 216 |
| 3. Rest of other payables | 8 | 2,152 | 3,045 |
| **A-4) Hedging derivatives** | | | |
| **A-5) Technical provisions** | 4j & 22 | **3,005,383** | **3,032,239** |
| I. Provision for unearned premiums | | 1,112,359 | 1,122,908 |
| II. Provision for unexpired risks | | | |
| III. Provision for life insurance | | 178,284 | 131,070 |
| 1. Provision for unearned premiums | | 178,284 | 131,070 |
| 2. Provision for unexpired risks | | | |
| 3. Mathematical reserve | | | |
| 4. Provision for unit-linked life insurance policies | | | |
| IV. Provision for outstanding claims | | 1,714,740 | 1,778,261 |
| V. Provision for bonuses and rebates | | | |
| VI. Other technical provisions | | | |
| **A-6) Non-technical provisions** | | **1,914** | **1,756** |
| I. Provisions for taxes and other legal contingencies | | | |
| II. Provision for pensions and similar obligations | 13 | 535 | 539 |
| III. Provision for payments under settlement agreements | | | |
| IV. Other non-technical provisions | 13 | 1,379 | 1,217 |
| **A-7) Tax liabilities** | | **10,672** | **2,859** |
| I. Current tax liabilities | | | |
| II. Deferred tax liabilities | 11 | 10,672 | 2,859 |
| **A-8) Rest of liabilities** | | **63,687** | **74,765** |
| I. Accruals | | 63,684 | 74,765 |
| 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** | | **3,347,755** | **3,315,750** |
| **B) EQUITY** | | | |
| **B-1) Shareholders' equity** | | **910,111** | **871,281** |
| 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 | | 103,161 | 103,161 |
| 1. Legal and statutory reserves | 9 | 44,783 | 44,783 |
| 2. Equalisation reserve | | | |
| 3. Other reserves | | 58,378 | 58,378 |
| IV. (Own shares) | | | |
| V. Results from previous financial years | | 321,338 | 278,757 |
| 1. Retained earnings | 3 | 321,338 | 278,757 |
| 2. (Negative results from previous financial years) | | | |
| VI. Other contributions from shareholders and members | | | |
| VII. Result for the year | 3 | 97,471 | 70,163 |
| VIII.(Interim dividend and interim equalisation reserve) | 3 | (56,340) | (25,281) |
| IX. Other equity instruments | | | |
| **B-2) Adjustments for changes in value:** | 8 | **11,592** | **(77,187)** |
| I. Available-for-sale financial assets | | 10,896 | (78,302) |
| II. Hedging operations | | | |
| III. Exchange and translation differences | | 696 | 1,115 |
| IV. Correction of accounting mismatches | | | |
| V. Other adjustments | | | |
| **B-3) Grants, donations and bequests received** | | | |
| **TOTAL EQUITY** | | **921,703** | **794,094** |
| **TOTAL EQUITY AND LIABILITIES** | | **4,269,458** | **4,109,844** |

(FIGURES IN EUR 000)

## Income statement for the financial year ended 31 December 2012 & 2011

| I. NON-LIFE TECHNICAL ACCOUNT | Notes | 2012 | 2011 |
|---|---|---|---|
| **I.1. Premiums written in the financial year, net of reinsurance** | 21 | **1,429,060** | **1,443,600** |
| a) Earned premiums | | 2,316,074 | 2,232,116 |
| a.1) Direct insurance | | | |
| a.2) Assumed reinsurance | 21 | 2,316,074 | 2,232,116 |
| a.3) Change in impairment adjustment to outstanding premiums (+or-) | | | |
| b) Premiums for ceded reinsurance (-) | | (882,071) | (768,694) |
| c) Change in provisions for unearned premiums and unexpired risks (+or-) | | 10,535 | 8,170 |
| c.1) Direct insurance | | | |
| c.2) Assumed reinsurance | | 10,535 | 8,170 |
| d) Change in provision for unearned premiums, ceded reinsurance (+or-) | | (15,478) | (27,992) |
| **I.2. Income from property, plant and equipment, and investments** | | **314,123** | **323,852** |
| a) Income from investment property | | | |
| b) Income from financial investments | 8 | 284,500 | 296,812 |
| 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 investment property | | 29,623 | 27,040 |
| d.1) From property, plant and equipment, and investment property | | | 12,735 |
| d.2) From financial investments | 8 | 29,623 | 14,305 |
| **I.3. Other underwriting income** | | | |
| **I.4. Claims for the year, net of reinsurance** | | **962,664** | **1,043,188** |
| a) Claims and expenses paid | | 926,487 | 827,424 |
| a.1) Direct insurance | | | |
| a.2) Assumed reinsurance | | 1,426,012 | 1,305,816 |
| a.3) Ceded reinsurance (-) | | (499,525) | (478,392) |
| b) Change in provision for outstanding claims (+or-) | | 36,092 | 215,686 |
| b.1) Direct insurance | | | |
| b.2) Assumed reinsurance | | (80,150) | 245,311 |
| b.3) Ceded reinsurance (-) | | 116,242 | (29,625) |
| c) Claims-related expenses | | 85 | 78 |
| **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** | | **424,777** | **412,362** |
| a) Acquisition expenses | | 576,414 | 536,552 |
| b)Administration expenses | | 5,990 | 4,733 |
| c) Commission and participations in ceded and retroceded reinsurance | | (157,627) | (128,923) |
| **I.8. Other underwriting expenses (+or-)** | | **(137)** | **1,624** |
| a) Change in impairment arising from insolvencies (+or-) | | (137) | 1,624 |
| 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** | | **237,237** | **247,781** |
| a) Investment management expenses | 8 | 212,661 | 233,988 |
| a.1) Expenses from property, plant and equipment, and investment property | | | |
| a.2) Expenses from investments and financial accounts | | 212,661 | 233,988 |
| b) Value adjustments to property, plant and equipment, and investments | | 27 | 7,769 |
| b.1) Amortisation of property, plant and equipment, and investment property | | 27 | 273 |
| b.2) Impairment of property, plant and equipment, and investment property | | | |
| b.3) Impairment of financial investments | | | 7,496 |
| c) Losses from property, plant and equipment, and investments | 8 | 24,549 | 6,024 |
| c.1) From property, plant and equipment, and investment property | | | |
| c.2) From financial investments | | 24,549 | 6,024 |
| **I.10. SUBTOTAL (RESULT OF THE NON-LIFE TECHNICAL ACCOUNT)** | | **118,642** | **62,497** |

(FIGURES IN EUR 000)

| II. LIFE TECHNICAL ACCOUNT | Notes | 2012 | 2011 |
|---|---|---|---|
| **II.1. Earned Premium for the year, net of reinsurance** | 21 | **310,465** | **277,131** |
| a) Earned Premiums | | 438,836 | 360,258 |
| a.1) Direct insurance | | | |
| a.2) Assumed reinsurance | 21 | 438,836 | 360,258 |
| a.3) Change in impairment adjustment to outstanding premiums (+ or -) | | | |
| b) Premiums for ceded reinsurance (-) | | (81,630) | (72,592) |
| c) Change in provisions for unearned premiums and unexpired risks (+ or -) | | (47,200) | (20,819) |
| c.1) Direct insurance | | | |
| c.2) Assumed reinsurance | | (47,200) | (20,819) |
| d) Change in provision for unearned premiums, ceded reinsurance (+ or -) | | 459 | 10,284 |
| **II.2. Income from property, plant and equipment, and investments** | | **42,582** | **48,270** |
| a) Income from investment property | | | |
| b) Income from financial investments | 8 | 39,201 | 46,267 |
| 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 | | 3,381 | 2,003 |
| d.1) From property, plant and equipment, and investment property | | | 1,027 |
| d.2) From financial investments | 8 | 3,381 | 976 |
| **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** | | **233,772** | **196,553** |
| a) Claims and expenses paid | | 217,713 | 165,311 |
| a.1) Direct insurance | | | |
| a.2) Assumed reinsurance | | 254,095 | 188,545 |
| a.3) Ceded reinsurance (-) | | (36,382) | (23,234) |
| b) Change in provision for outstanding claims (+ or -) | | 16,043 | 31,229 |
| b.1) Direct insurance | | | |
| b.2) Assumed reinsurance | | 16,629 | 35,097 |
| b.3) Ceded reinsurance (-) | | (586) | (3,868) |
| c) Claims-related expenses | | 16 | 13 |
| **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** | | **77,057** | **73,074** |
| a) Acquisition expenses | | 119,333 | 101,062 |
| b) Administration expenses | | 1,260 | 1,303 |
| c) Commission and participations in ceded and retroceded reinsurance | | (43,536) | (29,291) |
| **II.9. Other underwriting expenses** | | | |
| a) Change in impairment arising from insolvencies (+ or -) | | | |
| b) Change in impairment of property, plant and equipment (+ or -) | | | |
| c) Other | | | |
| **II.10. Expenses from property, plant and equipment, and investments** | | **27,291** | **22,140** |
| a) Management expenses from property, plant and equipment, and investments | 8 | 24,337 | 20,780 |
| a.1) Expenses from property, plant and equipment, and investments property | | | |
| a.2) Expenses from investments and financial accounts | | 24,337 | 20,780 |
| b) Value adjustments to property, plant and equipment, and investments | | 5 | 650 |
| b.1) Amortisation of property, plant and equipment, and investment property | | 5 | 46 |
| b.2) Impairment of property, plant and equipment, and investment property | | | |
| b.3) Impairment of financial investments | | | 604 |
| c) Losses from property, plant and equipment, and investments | 8 | 2,949 | 710 |
| c.1) From property, plant and equipment, and investment property | | | |
| c.2) From financial investments | | 2,949 | 710 |
| **II.11. Expenses from investments allocated to unit-linked insurance policies** | | | |
| **II.12. SUBTOTAL, (RESULT OF THE LIFE TECHNICAL ACCOUNT)** | | **14,927** | **33,634** |

(FIGURES IN EUR 000)

# Income statement for the financial year ended 31 December 2012 & 2011 (continued)

| III. NON-TECHNICAL ACCOUNT | Notes | 2012 | 2011 |
|---|---|---|---|
| **III.1. Income from property, plant and equipment, and investments** | | **34,098** | **22,911** |
| a) Income from investment property | | | |
| b)Income from financial investments | 8 | 29,864 | 22,105 |
| c) Application of impairment adjustments to property, plant and equipment, and investments | | 1,161 | |
| c.1) From property, plant and equipment, and investment property | | | |
| c.2) From financial investments | | 1,161 | |
| d) Profits from sale of property, plant and equipment | | 3,073 | 806 |
| d.1) From property, plant and equipment, and investment property | | 49 | 3 |
| d.2) From financial investments | 8 | 3,024 | 803 |
| **III.2. Expenses from property, plant and equipment, and investments** | | **41,594** | **24,333** |
| a) Investment management expenses | 8 | 6,979 | 21,392 |
| a.1) Expenses from investments and financial accounts | | 6,979 | 21,392 |
| a.2) Expenses from tangible investments | | | |
| b) Value adjustments to property, plant and equipment, and investments | | 30,762 | 2,353 |
| 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 | | 30,762 | 2,353 |
| c) Losses from property, plant and equipment, and investments | | 3,853 | 588 |
| c.1) From property, plant and equipment, and investment property | | 23 | 2 |
| c.2) From financial investments | 8 | 3,830 | 586 |
| **III.3. Other income** | | **3,560** | **4,479** |
| a) Income from pension fund administration | | | |
| b) Rest of income | | 3,560 | 4,479 |
| **III.4. Other Expenses** | | **3,219** | **4,868** |
| a) Pension fund administration expenses | | | |
| b) Rest of expenses | | 3,219 | 4,868 |
| **III.5. Subtotal, (Result of non-technical account)** | | **(7,155)** | **(1,811)** |
| **III.6. Result before taxes (I.10 + II.12 + III.5)** | | **126,414** | **94,320** |
| **III.7. Income tax** | 11 | **28,943** | **24,157** |
| **III.8. Result from continuing operations (III.6 + III.7)** | 3 | **97,471** | **70,163** |
| **III.9. Result from discontinued operations, net of tax (+ or -)** | | | |
| **III.10.RESULT FOR THE YEAR (III.8 + III.9)** | | **97,471** | **70,163** |

(FIGURES IN EUR 000)

# Statement of changes in equity for the financial year ended 31 December 2012 & 2011

## A) Statement of recognised income and expenses

| STATEMENT OF RECOGNISED INCOME AND EXPENSES | 2012 | 2011 |
|---|---|---|
| **I. RESULT FOR THE YEAR** | 97,471 | 70,163 |
| **II. OTHER RECOGNISED INCOME AND EXPENSES** | 88,779 | (20,086) |
| **II.1. Available-for-sale financial assets** | 126,225 | (28,998) |
| Gains and losses on valuation | 132,381 | (20,186) |
| Amounts transferred to the income statement | (6,156) | (8,812) |
| 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** | 598 | 304 |
| Gains and losses on valuation | 598 | 304 |
| 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** | (38,044) | 8,608 |
| **III. TOTAL RECOGNISED INCOME AND EXPENSES** | 186,250 | 50,077 |

(FIGURES IN EUR 000)

## Statement of changes in equity for the financial year ended 31 December 2012 & 2011

### B) Full statement of changes in equity

| ITEM | CAPITAL OR MUTUAL FUND Registered | CAPITAL OR MUTUAL FUND Uncalled | Share premium | Reserves |
|---|---|---|---|---|
| **A. BALANCE, YEAR-END 2011** | 223,916 | | 220,565 | 103,161 |
| I. Adjustments due to changes in criteria in 2011 | | | | |
| II. Adjustments due to errors in 2011 | | | | |
| **B. ADJUSTED BALANCE, BEGINNING OF 2012** | 223,916 | | 220,565 | 103,161 |
| 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. Conversion of financial liabilities into equity (conversion of obligations, writing-off debts). | | | | |
| 4. Distribution of dividends or apportionments. | | | | |
| 5. Transaction with own shares or interests (net) | | | | |
| 6. Equity increasse (reduction) resulting from business combination | | | | |
| 7. Other transactions with shareholders or members | | | | |
| III. Other changes in equity. | | | | |
| 1. Equity-instrument-based payments | | | | |
| 2. Transfers between equity items | | | | |
| 3. Other changes | | | | |
| **C. BALANCE, YEAR END 2012** | 223,916 | | 220,565 | 103,161 |

(FIGURES IN EUR 000)

| ITEM | CAPITAL OR MUTUAL FUND Registered | CAPITAL OR MUTUAL FUND Uncalled | Share premium | Reserves |
|---|---|---|---|---|
| **A. BALANCE, YEAR-END 2010** | 223,916 | | 220,565 | 101,424 |
| I. Adjustments due to changes in criteria in 2010 | | | | |
| II. Adjustments due to errors in 2010 | | | | 1,740 |
| **B. ADJUSTED BALANCE, BEGINNING OF 2011** | 223,916 | | 220,565 | 103,164 |
| 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. 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 | | | | (3) |
| 1. Equity-instrument-based payments | | | | |
| 2. Transfers between equity items | | | | (1) |
| 3. Other changes | | | | (2) |
| **C. BALANCE, YEAR-END 2011** | 223,916 | | 220,565 | 103,161 |

(FIGURES IN EUR 000)

| Own Shares and equity interests | 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 |
|---|---|---|---|---|---|---|---|---|
| | 278,757 | | 70,163 | (25,281) | | (77,187) | | 794,094 |
| | | | | | | | | |
| | | | | | | | | |
| | 278,757 | | 70,163 | (25,281) | | (77,187) | | 794,094 |
| | | | 97,471 | | | 88,779 | | 186,250 |
| | | | | (56,340) | | | | (56,340) |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | (56,340) | | | | (56,340) |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | 42,581 | | (70,163) | 25,281 | | | | (2,301) |
| | | | | | | | | |
| | 42,581 | | (67,862) | 25,281 | | | | |
| | | | (2,301) | | | | | (2,301) |
| | 321,338 | | 97,471 | (56,340) | | 11,592 | | 921,703 |

| Own Shares and equity interests | 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 |
|---|---|---|---|---|---|---|---|---|
| | 211,139 | | 128,425 | (35,393) | | (57,101) | | 792,975 |
| | | | | | | | | |
| | | | | | | | | 1,740 |
| | 211,139 | | 128,425 | (35,393) | | (57,101) | | 794,715 |
| | | | 70,163 | | | (20,086) | | 50,077 |
| | | | (23,114) | (25,281) | | | | (48,395) |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | (23,114) | (25,281) | | | | (48,395) |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | 67,618 | | (105,311) | 35,393 | | | | (2,303) |
| | | | | | | | | |
| | 67,618 | | (103,010) | 35,393 | | | | |
| | | | (2,301) | | | | | (2,303) |
| | 278,757 | | 70,163 | (25,281) | | (77,187) | | 794,094 |

# Cash flow statement for financial year ended 31 December 2012 & 2011

| CASH FLOW STATEMENT | 2012 | 2011 |
|---|---|---|
| **A) CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| **A.1.) Insurance activity** | **185,621** | **250,396** |
| 1. Receipts from direct insurance, coinsurance and assumed reinsurance | 355,793 | 351,611 |
| 2. Payments on direct insurance, coinsurance and assumed reinsurance | (107,749) | (93,298) |
| 3. Receipts from ceded reinsurance | 151,686 | 103,736 |
| 4. Payments on ceded reinsurance | (159,988) | (73,780) |
| 5. Recovery of claims paid | | |
| 6. Payments of remuneration to brokers | | |
| 7. Other operating receipts | | |
| 8. Other operating payments | (54,121) | (37,873) |
| 9. Total cash receipts from insurance activity (1+3+5+7) = I | 507,479 | 455,347 |
| 10. Total cash payments from insurance activity (2+4+6+8) = II | (321,858) | (204,951) |
| **A.2.) Other operating activities** | **(11,775)** | **(64,789)** |
| 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) | (11,775) | (64,789) |
| **A.3.) TOTAL NET CASH FLOWS FROM OPERATING ACTIVITIES (I- II+ III- IV - V)** | **173,846** | **185,607** |
| **B) CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| **B.1) Receipts from investing activities** | **2,572,356** | **1,247,538** |
| 1. Property, plant and equipment | 379 | 41,175 |
| 2. Investment property | | |
| 3. Intangible assets | | |
| 4. Financial instruments | 2,486,987 | 1,120,970 |
| 5. Interests in Group, multi-group and associated companies | | |
| 6. Interest collected | 69,176 | 79,334 |
| 7. Dividends collected | 15,814 | 6,059 |
| 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 | **2,572,356** | **1,247,538** |
| **B.2.) Payments on investing activities** | **(2,692,810)** | **(1,368,324)** |
| 1. Property, plant and equipment | (766) | (677) |
| 2. Investment property | | |
| 3. Intangible assets | (2,179) | (921) |
| 4. Financial instruments | (2,689,865) | (1,366,726) |
| 5. Interests in Group, multi-group and associated companies | | |
| 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 | **(2,692,810)** | **(1,368,324)** |
| **B.3.) TOTAL CASH FLOWS FROM INVESTING ACTIVITIES (VI + VII)** | **(120,454)** | **(120,786)** |

| CASH FLOW STATEMENT | 2012 | 2011 |
|---|---|---|
| **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. Òther procedes related to financing activities | | |
| 6. Total cash receipts from financing activities (1+2+3+4+5) = VIII | | |
| **C.2) Receipts from financing activities** | **(58,641)** | **(50,696)** |
| 1. Dividends to shareholders | (56,340) | (48,395) |
| 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 | (2,301) | (2,301) |
| 8. Total cash payments from financing activities (1+2+3+4+5+6+7) = IX | **(58,641)** | **(50,696)** |
| **C.3) TOTAL NET CASH FLOWS FROM INVESTING ACTIVITIES (VIII + IX)** | **(58,641)** | **(50,696)** |
| Effect of Exchange rate fluctuations (X) | | |
| **TOTAL INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (A.3 + B.3 + C.3 + - X)** | **(5,249)** | **14,125** |
| **Cash and cash equivalents at beginning of period** | **134,487** | **120,362** |
| **Cash and cash equivalents at end of period** | **129,238** | **134,487** |
| 1. Cash at bank and in hand | 92,782 | 124,199 |
| 2. Other financial assets | 36,456 | 10,288 |
| 3. Bank overdrafts repayable on demand | | |
| **TOTAL** | **129,238** | **134,487** |

(FIGURES IN EUR 000)

# 7
# *Companies making up the Reinsurance Unit*

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# 8
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