

MAPFRE

**AUDIT COMMITTEE
STATEMENT OF ACTIVITIES
2006**

February 2007

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1. AUDIT COMMITTEE

MAPFRE¹ has had an Audit Committee since 2000, and its powers and governing regulations are contained in the MAPFRE Code of Good Governance, which extensively develop the Group's institutional and corporate principles, as well as all the regulations for the governing bodies of the entities that form a part of the said group.

In compliance with Article 47 of the Financial Systems Reform Measures Act 44/2002 of 22 November, the company, by way of a resolution of the Board of Directors dated 12 March 2003, altered the make-up of the Committee to comply with the legal requirement of being chaired by a non-executive director, appointing at that time Mr. Manuel Jesús Lagares Calvo, an independent director, as chairman, in replacement for Mr. Domingo Sugranyes Bickel. The composition of the Audit Committee as at 31 December 2006 is as follows:

Name	Type of director
Mr. Manuel Jesús Lagares Calvo (Chairman)	Independent
Mr. Domingo Sugranyes Bickel (Deputy Chairman)	Executive
Mr. Rafael Beca Borrego	Independent
Mr. Sebastián Homet Duprá	Nominee
Mr. Luis Iturbe Sanz de Madrid	Independent
Mr. Antonio Miguel-Romero de Olano	Nominee
Mr. José Manuel González Porro (Member-Secretary)	Executive
Mr. Ángel Luis Dávila Bermejo (Deputy Secretary)	-----

The regulations governing the MAPFRE Audit Committee, contained in the Code of Good Governance, have been widely publicised amongst shareholders and investors since their approval, and they have also been communicated to the Spanish Securities Market Commission.

On the occasion of the corporate re-organization of Grupo MAPFRE, the MAPFRE Extraordinary General Shareholders Meeting held on 29 December 2006 approved the amendment of the corporate by-laws in order to adapt them to the new requirements arising from the configuration of the company as parent company of the entire business group. At the same time, the reference to the existence of the Audit Committee has been maintained in the terms required by Law in accordance as indicated below:

1. Prior to the corporate re-organization of Grupo MAPFRE, the company name was CORPORACIÓN MAPFRE, S.A..

Article 24

“Under all circumstances there shall exist an Audit Committee, of which the majority of its members, including the Chairman, shall be non-executive directors, who may only be re-elected after one year has elapsed following the expiry of their term of appointment. The Secretary of this Committee shall be Secretary of the Board of Directors. The said Committee shall have the following powers:

1. To verify that the Annual Accounts, as well as the half-yearly and quarterly financial statements and other economic information that must be submitted to the regulatory or supervisory bodies, is true, complete and sufficient; that it has been prepared in accordance with the applicable accounting rules and internal guidelines laid down by the MAPFRE General Secretariat; and that it is provided in a timely manner with the correct content.
2. To propose to the Board of Directors, for submission to the Shareholders in General Meeting, the appointment of the company’s External Auditor, and to receive information on the activities of the said External Auditor and on any fact or circumstance that might compromise the independence thereof.
3. To supervise the activities of the Internal Audit Department, for which purpose it shall have full access to its action plans, the results of its work, and the follow-up of any recommendations and suggestions of the external and internal auditors.
4. To be informed of the financial information process and the internal control of the company, and to formulate such observations or recommendations as it may consider pertinent for the improvement thereof.
5. To inform the Shareholders in General Meeting in relation to questions raised about any matter within its remit.

2. STATEMENT OF ACTIVITIES 2006

During 2006, the Audit Committee has been informed of all matters within its remit and has complied with the responsibilities assigned to it by Law, the By-laws, and the MAPFRE Code of Good Governance.

During 2006, the MAPFRE Audit Committee has met on the following dates:

- 6 February
- 24 April
- 24 July
- 23 October
- 18 December

There follows below a summary of the activities of the MAPFRE Audit Committee during 2006, with the activities being grouped around those areas that fall within its remit:

2.1 Economic-financial information

2.2 External audits

2.3 Supervision by the Internal Audit Unit

2.4 Internal control

2.5 Information to the Shareholders General Meeting

2.6 Risks Management

2.7 Other matters

2.1. Economic-financial information

The MAPFRE Code of Good Governance provides that the Audit Committee has the following powers:

“To verify that the Annual Accounts, as well as the half-yearly and quarterly financial statements, and any other economic information that must be filed with the regulatory or supervisory bodies, is true, complete, and sufficient; that it has been drawn up in accordance with the applicable accounting regulations and the criteria laid down internally by the MAPFRE Secretariat-General; and that it is supplied within the time allowed and with the correct content.”

In accordance with these principles, the MAPFRE Audit Committee has verified the following information in 2006:

- The Management Report and 2005 Individual and Consolidated Annual Accounts for MAPFRE and its subsidiary companies. (*Meeting date: 07.02.2006*)
- The information submitted quarterly by MAPFRE to the Spanish Securities Market Commission (CNMV). (*Meeting dates: 07.02.2006; 24.04.2006; 24.07.2006, and 23.10.2006*)

This economic-financial information is reviewed in advance by the Internal Audit Directorate-General which issues a report highlighting the fact that MAPFRE's Intermediate Financial Statements are drawn up in accordance with the same criteria as for the Annual Accounts and that they are reasonable, objective, and verifiable, and that the principle of prudence always prevails over any other. Furthermore, any economic transactions between Group companies are examined.

All quarterly, half-yearly, and annual reports, as well as any significant events reported to the CNMV, are made available on the Corporate Website: www.mapfre.com.

- Likewise, the information prepared by CORPORACION MAPFRE for Investors and Analysts is reviewed and examined by the Audit Committee prior to its release. (*Meeting dates: 07.02.2006; 24.04.2006; 24.07.2006, and 23.10.2006*)

Just like the quarterly, half-yearly, and annual reports that are sent to the Spanish Securities Market Commission, company presentations for investors and analysts, the Corporate Governance Report, the Audit Committee Report, the Risk Evaluation Agencies Reports, Significant Events and other notices given to the Spanish Securities Market Commission (CNMV) are available on the Corporate Website: www.mapfre.com.

2.2. External Audit

The MAPFRE Code of Good Governance provides that the Audit Committee has the following powers:

“To propose to the Board of Directors, for submission to the Shareholders in General Meeting, the appointment of the External Auditor of the company, as well as to receive information on the performance thereof and with regard to any facts or circumstances which may compromise its independence.”

With regard to the External Audit, the said Code also provides as follows:

- *“The relations of the Board of Directors with the Company’s External Auditors shall be channelled through the MAPFRE Audit Committee.*
- *The Board of Directors shall refrain from contracting those auditing firms which receive or are set to receive annual fees from the Sistema which as a whole amount to more than 5% of their total annual revenues.*
- *The Board of Directors shall provide information in the annual public documents of the total fees that the Company and its consolidated Group have paid to the auditing firm for services other than auditing.*
- *The Board of Directors shall seek to formulate the accounts definitively, such that there is no possibility of reservations on the part of the External Auditors. However, where the Board should consider that its criterion ought to prevail, it shall explain the content and scope of the discrepancy publicly.”*

In this regard, during 2006 the MAPFRE Audit Committee:

- Agreed to propose to the Board of Directors of MAPFRE that the re-election of Ernst & Young as accounts auditor for financial year 2006 should be included on the Agenda for the 2006 Shareholders General Meeting. Likewise, it has approved the budget for the external auditing of the Individual and Consolidated Annual Accounts for financial year 2006 in the sum of 3,277 thousand euros, of which 3,000 correspond to the main auditor, Ernst & Young. *(Meeting date: 18.12.2006)*

It has authorized the appointment of Deloitte, as replacement for Ernst & Young, as accounts auditor for financial year 2006 in Mexico. *(Meeting date: 24.04.2006)*

- Has performed a quarterly appraisal of the general guidelines to be followed relating to the external auditor approved by the MAPFRE Audit Committee at its meeting held on 19 July 2004 which are summarized in the annex to this document.

For this purpose, it has supervised the fees invoiced by the main auditing company for services relating to the audit of the annual accounts, 121 thousand euros, and for other complementary services provided, 753 thousand euros. It is considered that neither figure compromises the independence of the auditors. *(Meeting dates: 6.02.2006; 24.04.2006; 24.07.2006; 23.10.2006)*

- Likewise, and with the aim of ensuring the independence of the external auditor, the Audit Committee has supervised the statement of fees paid to the firm of auditors and its total revenues, which percentage, according to the

MAPFRE Code of good Governance, should not exceed 5%. For financial year 2006, this percentage was 0.03%. (*Meeting date: 24.07.2006*)

- Has received, examined, and requested additional information from the firm Ernst & Young with regard to the preliminary reports on the 2006 Annual Accounts for MAPFRE and its subsidiaries. (*Meeting date: 18.12.2006*)

These preliminary reports are issued by the auditors for all MAPFRE subsidiary companies with regard to the Intermediate Financial Statements of the company as at 30 September and their purpose is to detect sufficiently in advance any matter that, were it not to be settled satisfactorily on a timely basis and in proper form, might give rise to reservations in the external auditor report.

- Has received and considered the preliminary reports issued by Deloitte on the Balance Sheet and the Profit and Loss Account as at 30 September 2006 for the Caja Madrid Group Companies, Banco de Servicios Financieros Caja Madrid-Mapfre, Caja Madrid Bolsa, S.V., Gesmadrid SGIIC, and Caja Madrid Pensiones Entidad Gestora de Fondos de Pensiones, companies in which Corporación MAPFRE has a significant shareholding. (*Meeting date: 18.12.2006*)
- The external auditor has attended the meetings of the Audit Committee for those matters relating to the audit of the Annual Accounts and preliminary reports on the audit of the Annual Accounts. (*Meeting dates: 06.02.2006 and 18.12.2006*)
- The MAPFRE Audit Committee receives and considers the Satisfaction Poll on Services provided by the External Auditor. This Poll has been carried out for the fifth successive year amongst people from the various companies that underwent a full audit of their Annual Accounts in 2005. The information that was considered was as follows: global analysis and evolution of services rendered and Action Plans to improve the quality of services. (*Meeting date: 23.10.2006*)
- For the purpose of harmonising a general framework for harmonised reporting of different principles and matters relating to Corporate Social Responsibility, in 1997 the GLOBAL REPORTING INITIATIVE (GRI) guide came into being with the collaboration of the UNEP (United Nations Environment Programme) and CERES (Coalition of Socially Responsible Economies). This guide is presently the most widespread and acknowledged methodology among the different organizations.

Sistema MAPFRE has, in contrast with other companies in the Spanish business market, and in accordance with its business strategy, implemented the commitments and principles on Corporate Social Responsibility in accordance with GRI methodology. For the second year running, and as an

integral part of the annual documentation drawn up, MAPFRE will publish a Social Responsibility Report. With the aim of verifying the information and contributing to the principle of transparency, Ernst & Young has been commissioned to verify this report. In 2006, the Audit Committee was informed of and verified the MAPFRE Social Responsibility Report corresponding to financial year 2005, which report in turn contained a very wide-ranging description of the non-profit activities of a social nature that MAPFRE performs through its foundations. *(Meeting date: 06.02.2006)*

2.3. Supervision by the Internal Audit Unit

The MAPFRE Code of Good Governance provides that the Audit Committee has the following powers:

“To supervise the activities of the Internal Auditing Service, for which purpose it shall have full access to its action plans, the results of its work, and monitoring of the recommendations and suggestions of the internal and external Auditors”.

- As a result of the corporate re-organization of MAPFRE, and with the creation of the MAPFRE FAMILIAR Division, made up of the Motor Insurance, General Insurance, Health Insurance, and Agricultural & Livestock Operating Units, the Audit Committee approved the creation of an Internal Audit Service for MAPFRE FAMILIAR. This new Audit Service is the result of the merger of the MAPFRE MUTUALIDAD, MAPFRE SEGUROS GENERALES, and MAPFRE CAJA SALUD Audit Services. *(Meeting date: 18.12.2006)*

The remaining Audit Services and Audit Units are left unaltered, retaining the same configuration and make-up. With this change, the MAPFRE Internal Audit Unit now has six Internal Audit Services located at the head offices of the Operating Units, and twelve Internal Audit Units located in the main South-American countries, in the Philippines, and in Portugal, all of which are co-ordinated by the Auditing Directorate-General, which is directly accountable to the MAPFRE Audit Committee.

- The Internal Audit Unit has its own integrated and common computer program for all of the internal auditors, called Auditm@p which, furthermore, is used to provide on-line information to the Audit Committee. As from June 2004, the Auditm@p program has been provided with a special module including relevant information for the Audit Committee.

In addition, MAPFRE's Internal Audit Unit in Mexico has developed a supporting computer application for the purpose of inter-departmental communication with the audited parties and the management of Internal Audits. This platform, known as Audiweb, will be implemented throughout financial year 2007 throughout the whole Audit Unit at MAPFRE, both in Spain and abroad.

- The Audit Committee has authorized the Annual Internal Audit Plan for financial year 2006 for MAPFRE and its subsidiary companies, which includes the 2005 Annual Report, the 2006 Audit Plan, the structure and budget for the Unit, and a training plan for the internal auditors. *(Meeting date: 06.02.2006)*.

The Audit Committee has approved the Sistemas Internal Audit Plan for financial year 2006. This Plan was prepared by the Internal Audit Directorate-General and was carried out through outsourcing by the firms Price Waterhouse Coopers and KPMG, in continuation of the strategy commenced in previous years. *(Meeting date: 06.02.2006)*.

- The Audit Committee has received, reviewed, and approved the Activity Reports relating to the Internal Audit Unit that are issued quarterly by the Internal Audit Head Office and which place a special emphasis on relevant matters that have occurred during the quarter relating to the internal audit reports and internal control. Likewise, it has also received, reviewed, and approved the compliance with targets in the Annual Internal Audit Plan, follow-up of implementation of recommendations proposed by the Audit Services and Units, training of the internal auditors, co-operation with the external auditor and with other areas or departments of the Group companies, and the follow-up of the budget for the Unit. *(Meeting dates: 24.04.2006; 24.07.2006; 23.10.2006, and 18.12.2006)*
- The Audit Committee has approved the Internal Audit Strategic Targets for the 2007-2009 period. *(Meeting date: 18.12.2006)*
- The Audit Committee has received information on the internal audits undertaken at the Offices of Distribución Bancaria (ODB) by the Caja Madrid Audit Unit. These offices which are dedicated to Distributing the Banking products of the Grupo Caja Madrid form a part of the overall agreements between Grupo Caja Madrid and MAPFRE. *(Meeting dates: 06.02.2006, 24.04.2006, 24.07.2006, and 23.10.2006)*

2.4. Internal Control

The MAPFRE Code of Good Governance provides that the Audit Committee has the following powers:

“To be informed of the process of financial information and internal control of the company, and to draw up the observations or recommendations that it considers suitable for their improvement”.

- The Audit Committee has been informed of the results of the internal audit corporate tasks with regard to the Grupo MAPFRE monthly and quarterly

closing process, where the processes for obtaining financial information are set out in detail for all companies forming part of Grupo MAPFRE. (*Meeting date: 23.10.2006*)

- According as is stated in the MAPFRE Strategic Plan for 2006-2008, the Auditing Directorate-General shall be responsible for “updating the internal control models for all Units and Companies, in accordance with the legal requirements and those that may be established internally, and for promoting the implementation in all countries of a common internal review model in accordance with the standards”.

With this objective, during 2006 a working team has been set up which is standardizing the internal control systems at MAPFRE AUTOMÓVILES and MAPFRE VIDA, and subsequently it will be possible to transfer this to the remaining insurance entities at MAPFRE. The Audit Committee has been informed of this new project from the start and has been informed of all progress and follow-up reports. (*Meeting date: 24.04.2006; 23.10.2006*)

- Likewise, within the Information Technologies area (IT), the Auditing Directorate-General has promoted the updating and standardization of the existing internal control systems at all MAPFRE entities. CobiT is a standard control model specifically designed for the IT area, which provides a perspective on IT from the business point of view. In this way, policies and procedures for the governance of IT are established in line with management objectives, thereby providing confidence to those who manage business processes. With CobiT, it is possible to implement a uniform IT governance model for the whole of Grupo MAPFRE.

The Audit Committee has been informed of the forthcoming implementation of CobiT at the MAPFRE AUTOMÓVILES and MAPFRE SEGUROS GENERALES entities, with the aim of achieving a suitable degree of control over IT governance and processes. (*Meeting date: 24.07.2006*)

2.5. Information to the Shareholders General Meeting

The MAPFRE Code of Good Governance provides that the Audit Committee has the following powers:

“To report to the Shareholders in General Meeting on any questions arising regarding matters within its remit”.

The Chairman of the Audit Committee has attended the Shareholders General Meetings held during financial year 2006 (*Ordinary General Meeting held on 27 April; Extraordinary General Meeting held on 29 December*). The shareholders did not ask any questions on matters within its remit.

2.6. Risks Management

In 2002, the MAPFRE Audit Committee asked the Auditing Directorate-General to commence the tasks necessary in order to set up a Formal System for the Evaluation of Risks, and draw up the corresponding Risk Maps.

- The Annual Reports for the MAPFRE Audit Committees for financial years 2003, 2004, and 2005 contained detailed information on the degree of implementation of the operating risk maps both in Spain and abroad. These risk maps are drawn up using the Riskmap application, developed by MAPFRE Internal Auditing.

As was envisaged, Internal Auditing has complied with the commitment made to implement the Riskmap application at the MAPFRE insurance companies. Currently, the operating risk model has been implemented at all of them. Likewise the second risk maps have been obtained from 12 Latin-American entities, whilst the procurement of maps from the entities in Spain, as well as the first map for RED MAPFRE, is currently underway. *(Meeting date: 23.10.2006)*

During the last quarter of 2006, the Operating Risk was transferred to the MAPFRE Risks Area, which is currently responsible for this matter.

- The MAPFRE Audit Committee was informed of the situation of the tasks carried out in order for the implementation of the own models of risk management at the Grupo MAPFRE. The project for the implementation of an own model for economic capital at the EMPRESAS Unit was commenced in early 2006, which has a similar structure to that of MAPFRE REASEGURO, where the calculation routines for the capital model have been reviewed and optimized, and a higher speed in the processes has been achieved. Both projects benefited from the collaboration of Ernst & Young. *(Meeting date: 24.04.2006)*
- The MAPFRE Director of Risks attended a meeting of the Audit Committee during 2006 in order to present a summary of the Risks Management System which will be implemented at all MAPFRE entities, together with an implementation calendar. *(Meeting date: 24.07.2006)*
- The MAPFRE Audit Committee gave a favourable report on the MAPFRE Risks Report corresponding to 2005. *(Meeting date: 06.02.2006)*
- During 2006, the MAPFRE Audit Committee has received the credit ratings, and the basis therefor, which are published annually by the ratings agencies with regard to the entities of the Group. *(Meeting date: 24.07.2006)*

2.7 Other matters

During 2006 the Audit Committee has been informed of the following matters:

- MAPFRE Audit Committee Activities Report, corresponding to financial year 2005. (*Meeting date: 06.02.2006*)
- Matters dealt with and resolutions approved by the Audit Committees of MAPFRE's subsidiaries in Peru, Puerto Rico, El Salvador, Colombia, Mexico, Brazil, Chile, and Venezuela. (*Meeting date: 19.07 y 23.10.2006*)
- Study drawn up by Price Waterhouse Coopers on the function of internal auditing in the United Kingdom. (*Meeting date: 24.04.2006*)
- Copy of "Sigma" magazine edited by Swiss Re, containing a synopsis of the Solvencia II project and its repercussions in the insurance industry. (*Meeting date: 24.07.2006*)

3. SUBSEQUENT EVENTS

On 5 February 2007, the MAPFRE Audit Committee:

- Reviewed and examined the MAPFRE S.A. Annual Accounts for financial year 2006, the Management Report, and the Corporate Social Responsibility Report, and gave a favourable report to the Board of Directors.
- Proposed to the Board of Directors the appointment of Ernst & Young as accounts auditor for financial year 2007.
- Reviewed and examined the MAPFRE report for the Spanish Securities Market Commission.
- Approved the selection of those firms which, for financial years 2007 and 2008, are to perform the auditing tasks with regard to compliance with the “*Security Measures Regulations for automated files containing personal data*” at all Grupo MAPFRE entities in Spain.
- Approved the Internal Auditing Plan for 2007 which includes the 2006 Annual Report and the Internal Auditing Plan and the Budget for 2007 for the Auditing Unit.

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ANNEX

Detailed information with regard to the fees invoiced by the auditors shall be given both in the various Annual Accounts reports and in the MAPFRE Audit Committee. The said information shall distinguish between:

- Services corresponding to Annual Accounts Audits.
- Services relating to Annual Accounts Audits.
- Other services.

For the purposes of the foregoing, services corresponding to Annual Accounts Audits shall be deemed to be those recurring services that have the aim of providing third parties with reliability with regard to the Annual Accounts drawn up by the Company.

In contrast to the services described above, services relating to the audit are characterized by being one-off (non-recurring), and manifest themselves by way of a certificate, a specific opinion, or a report on an investigation.

All consultancy which is not expressly prohibited is included under the heading of "Other Services".

Any doubt as to the classification of a service sought from the external auditor into the three categories set forth above shall be referred to the Internal Auditing Directorate-General.