

**MAPFRE-CAJA MADRID HOLDING
DE ENTIDADES ASEGURADORAS, S.A.**

REPORT SUBMITTED BY THE BOARD OF DIRECTORS OF MAPFRE-CAJA MADRID HOLDING DE ENTIDADES ASEGURADORAS, S.A. IN SUPPORT OF THE MERGER OF THE COMPANY WITH MAPFRE, S.A., THROUGH THE TAKEOVER OF THE FORMER BY THE LATTER, IN ACCORDANCE WITH THE PROVISIONS OF ARTICLE 237 OF THE COMPANIES ACT.

In Majadahonda (Madrid), 6 February 2008

INTRODUCTION

The Board of Directors of the company MAPFRE-CAJA MADRID HOLDING DE ENTIDADES ASEGURADORAS, S.A. in compliance with the provisions of Article 237 of the Legislative Royal Decree 1564/1989, of 22 December, which enacted the Restated Wording of the Companies Act (hereinafter TRLSA), has submitted this report, for the purpose of explaining and supporting in a detailed manner, as required by current legislation, the above-referenced merger transaction.

REASONS SUPPORTING THE MERGER

As set forth in the Plan of Merger, MAPFRE-CAJA MADRID HOLDING DE ENTIDADES ASEGURADORAS, S.A. is the holding company created to integrate the insurance activities in Spain with the participation of MAPFRE and CAJA MADRID in accordance with the Framework Agreement governing the strategic business alliance between both business groups signed on 31 March 2000.

In order to strengthen its strategic alliance and adapt it to MAPFRE's new corporate structure, simplifying and reinforcing the relationship between both groups, the Boards of Directors of MAPFRE and CAJA MADRID approved on 17 December 2007 the bases for the reorganisation of the mentioned alliance, which include, among other aspects the following:

- MAPFRE - CAJA MADRID HOLDING will be integrated into MAPFRE, S.A., with the subsidiaries of said company (MAPFRE VIDA, MAPFRE SEGUROS GENERALES, MAPFRE EMPRESAS and MAPFRE CAJA SALUD) becoming direct subsidiaries of MAPFRE, S.A.
- CAJA MADRID will receive 15% of the shares of MAPFRE, S.A., as well as 12.5% of MAPFRE INTERNACIONAL and the 30% shareholdings that MAPFRE currently has in GESMADRID, CAJA MADRID BOLSA and CAJA MADRID PENSIONES.
- A new company will be created, under the business name MAPFRE - CAJA MADRID VIDA, for the marketing and sale of Life Insurance through the CAJA MADRID Network, which MAPFRE will manage and in which CAJA MADRID will have a 49% shareholding.

As a result of the reorganisation of the strategic alliance between MAPFRE and CAJA MADRID, the continued operation of MAPFRE - CAJA MADRID HOLDING DE ENTIDADES ASEGURADORAS, S.A. does not make sense, and its takeover

by MAPFRE, S.A. is the most appropriate formula for obtaining the agreed objectives.

Therefore, the Board of Directors proposes to the General Meeting of Shareholders of MAPFRE - CAJA MADRID HOLDING DE ENTIDADES ASEGURADORAS, S.A. that it approves the merger referred to in this report.

LEGAL ASPECTS OF THE MERGER

The transaction planned consists of the merger of the two holding companies MAPFRE, S.A. and MAPFRE - CAJA MADRID HOLDING DE ENTIDADES ASEGURADORAS, S.A. through the takeover of the latter by the former, subject to the regulation of the merger provided under the Companies Act.

As a result of the merger, MAPFRE - CAJA MADRID HOLDING DE ENTIDADES ASEGURADORAS, S.A. will be dissolved and all of its shareholders equity will be transferred to MAPFRE, S.A., which will acquire through universal succession all of rights and obligations of that company.

The partners of the target company, which will be dissolved as a result of the merger, in exchange for their shareholdings in the capital of said company will receive new shares in the acquiring company, in the proportion resulting from the rate of exchange established.

However, the shares of the target company in possession of the acquiring company, may not be exchanged for new shares in the acquiring company, due to express legal prohibition, and such shares will be amortised.

As of today's date, the acquiring company directly owns 110,152,105 shares of the target company, representing a 51% shareholding of its share capital, and CORPORACION FINANCIERA CAJA DE MADRID, S.A. owns 105,832,415 shares, representing a 49% shareholding.

By virtue of the agreements reached between MAPFRE and CAJA MADRID, it is planned that the acquiring company will increase its shareholding in the target company, prior to execution of the public deed of merger, up to 64.47%, by way of the acquisition from CORPORACION FINANCIERA CAJA DE MADRID S.A. of an additional 13.47% shareholding, that is 29,093,115 shares; all of which shares, in accordance with the provisions of Article 249 of TRLSA, will be amortised as shares of the acquiring company that cannot be exchanged.

MAPFRE, S.A. will increase its capital by 40,152,779.30 euros, through the issuance of 401,527,793 new shares, with a par value of 0.10 euros each, with economic rights from the date of subscription of the plan of merger, which shares

will be fully subscribed by CORPORACION FINANCIERA CAJA DE MADRID, S.A. in exchange for its 76,739,300 shares in the target company.

No benefit of any kind in the acquiring company has been awarded to the independent expert involved this transaction nor to any of the directors of the merging entities.

This merger will be subject to the tax regulations established in Chapter VIII of Title VII of the Legislative Royal Decree 4/2004, of 5 March, which enacted the Restated Wording of the Companies Tax Act, pursuant to which timely communication will be made to the Ministry of Economy and Treasury.

ECONOMIC ASPECTS OF THE MERGER

As has been stated, on the date of execution of the public deed of merger the acquiring company will hold a 64.47% share of the capital of the target company, and the remaining 35.53% ownership, represented by 76,739,300 shares, will be held by CORPORACION FINANCIERA CAJA DE MADRID.

Taking this circumstance into account, the exchange rate has been established at 401,527,793 shares of the acquiring company for 76,739,300 shares of the target company which will not be owned by the acquiring company.

This exchange equation is the result of the existing proportion between the values of the shareholders equity of MAPFRE, S.A. and MAPFRE - CAJA MADRID HOLDING DE ENTIDADES ASEGURADORAS, S.A., without additional monetary compensation of any kind.

The value of the shareholders equity of MAPFRE, S.A. has been determined based on the average listed share price during the time period between 14 November and 14 December 2007, beginning and ending dates included, corresponding to the 31 days preceding the date of the agreement between MAPFRE and CAJA MADRID for purposes of the merger transaction referred to in this report, counted beginning from the last working day.

As regards it, the value of the shareholders equity of MAPFRE - CAJA MADRID HOLDING DE ENTIDADES ASEGURADORAS, S.A. has been determined with the advice of experts through the use of different valuation methods, applying the appropriate adjustments to ensure uniformity as to the valuation of the equity of the acquiring company, which is especially necessary given that the majority of the target company is held by the former company.

There have been no special difficulties in the valuation of the equity of the companies involved in the merger transaction which is the subject of this report.

The mentioned exchange rate has received a favourable opinion from KPMG AUDITORES, S.L. in its report issued on 6 February 2008, as the independent expert appointed by the Mercantile Registry of Madrid.

The business operations of the target company, which will be wound up as a result of the merger, will be deemed, for accounting purposes, to be carried out by the acquiring company as of 1 January 2008.

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In witness whereof, the Board of Directors of MAPFRE - CAJA MADRID HOLDING DE ENTIDADES ASEGURADORAS, S.A. submits this report, in accordance with the provisions established in Article 237 of TRLSA, in Majadahonda (Madrid), this 6 February 2008.