

KPMG

Report of Independent Expert in relation to
the plan of merger through the takeover of
Mapfre – Caja Madrid Holding de Entidades
Aseguradoras, S.A. by Mapfre, S.A.

To the Directors of

Mapfre, S.A.

Mapfre – Caja Madrid Holding de Entidades Aseguradoras, S.A.

In accordance with the provisions of Article 236.2 of the Restated Wording of the Companies Act and Articles 340 and 349 of the Mercantile Registry Regulations, Mr. José Antonio Calvo González de Lara, Mercantile Registrar number IX of Madrid and its province, appointed KPMG Auditores, S.L. as an independent expert to prepare this sole report on the plan of merger of through the takeover of Mapfre - Caja Madrid Holding de Entidades Aseguradoras, S.A. by Mapfre, S.A. (hereinafter, also referred to collectively as the Companies), as well as on the equity contributed to the acquiring company by the target company.

1 Description of the transaction

1.1 Identification of the companies participating in the merger

- Mapfre, S.A. (hereinafter MAPFRE), the acquiring company.

MAPFRE, with its registered address at Paseo de Recoletos, nº25, 28004 Madrid, registered in the Mercantile Registry of Madrid in Tome 307, Folio 94, Section 8, Page M-6152, Entry No. 384, Tax Identification Number: A-08/055741.

- Mapfre - Caja Madrid Holding de Entidades Aseguradoras, S.A. (hereinafter MAPFRE – CAJA MADRID), the target company.

MAPFRE – CAJA MADRID, with its registered address at Paseo de Recoletos nº25, 28004 Madrid, registered in the Mercantile Registry of Madrid in Tome 464, Folio 161, Page M-8913, Entry No. 7, Tax Identification Number: A-78/919495.

1.2 Description of the transaction and merger procedure and exchange of shares

According to the Plan of Merger approved by the Directors of both Companies on 25 January 2008 and the report of the Directors on the Plan of Merger, for the purpose of strengthening the strategic alliance between MAPFRE and Corporación Financiera Caja de Madrid (hereinafter CAJA MADRID) and to adapt the strategic alliance to MAPFRE's new corporate structure, the Boards of Directors of MAPFRE and CAJA MADRID approved on 17 December 2007 the bases for the reorganisation of the mentioned alliance, that includes, among other aspects, the following:

- MAPFRE - CAJA MADRID will be integrated into MAPFRE, 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, 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 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.

To obtain these objectives, the parties have agreed, as the most appropriate formula, to carry out the following transactions:

- Transfer from CAJA MADRID to MAPFRE of a 13.47% shareholding in MAPFRE – CAJA MADRID HOLDING.
- Acquisition by CAJA MADRID of shareholdings of 12.5% in Mapfre Internacional, of 30% in GESMADRID, CAJA MADRID BOLSA and CAJA MADRID PENSIONES and of 49% in MAPFRE – CAJA MADRID VIDA.
- Integration of MAPFRE – CAJA MADRID into MAPFRE through the merger which is the subject of this report as a result of which CAJA MADRID will receive a 15% shareholding in MAPFRE in exchange for its remaining shareholding of 35.53% in the target company.

As of the date of the plan of merger the acquiring company directly holds 110,152,105 shares of the target company, representing a 51% shareholding in its share capital, which shareholding will be increased, prior to execution of the public deed of merger, up to 64.47% by virtue of the already mentioned prior acquisition from CAJA MADRID 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 the Restated Wording of the Companies Act (TRLISA), will be amortised as shares of the acquiring company that cannot be exchanged.

The rate of exchange, taking into consideration the existence of one sole recipient of the shares to be issued by MAPFRE is established at 401,527,793 shares of the acquiring company for 76,739,300 shares of the target company.

As a result, MAPFRE will increase its capital by 40,152,779.30 euros through the issuance of 401,527,793 new shares, of the same class and type as the pre-existing shares, consecutively numbered from the number 2,275,324,164 to the number 2,676,851,956 with a par value of 0.10 euros each.

The new shares, which will be fully subscribed by CAJA MADRID in exchange for its 76,739,300 shares in the target company, will have a right to participate in business profits, equal to the rights of existing shares of the acquiring company, for which they will receive dividends that are distributed from the subscription date of the Plan of Merger forward.

The operations of the company that 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.

2 Scope and procedures followed

The analysis and verifications we have performed, have had the exclusive purpose of verifying compliance with the requirements contained in Article 236 of the Restated Wording of the Companies Act. The procedures used in performing this work have been the following:

- Obtaining and analyzing the following information:
 - Plan of Merger by takeover submitted by the Directors of the Companies dated 25 January 2008.
 - Report of the Directors of the Companies on the Plan of Merger dated 6 February 2008.
 - Un-audited merger balance sheets as of 31 December 2007.
 - Audited individual and consolidated annual accounts of MAPFRE and MAPFRE – CAJA MADRID for the financial years concluded on 31 December 2004, 2005 and 2006.
 - Valuation reports and calculations made by the Companies for determining equity values contributed by the Companies, as well for determining the exchange ratio.
 - Other economic and financial information of the companies involved in the transaction considered useful for performing the work which includes several valuation reports of third parties, analysts, etc.
- Review of the valuation method and mathematical calculation used and made by the Directors of the companies involved in the transaction for determining the exchange ratio between the shareholders and the increase in capital to be made, as well as the other calculations made and valuation procedures used that have been considered appropriate.

- Holding of several meetings and conversations with the Management of the Companies, in order to obtain other information that has been considered of interest.
- Obtain a letter from the Companies in which it is stated that we have been informed of all relevant facts that could affect the planned merger transaction our independent expert report and that there have been no subsequent occurrences since the closing of the merger balance sheets of the companies as of the date of this report.

3 Valuation method used for determining capital increase to be made and exchange ratio

The Directors of the Companies, together with their advisers, have made a valuation of the Companies in order to determine the real value of the Companies by applying valuation methods generally accepted in the market. The methods used have consisted of:

- Sum-of-the-parts method (individual valuation of each of the participating Companies) discounting future dividends.
- Contrast of prior results for each of the Companies with the results of applying other complementary methods based on an EVA valuation (Economic Value Added) multiples of comparable listed companies and multiples of comparable transactions.

The results of applying these methods have been adjusted in a uniform manner to market value according to the average listing of MAPFRE shares for the time period between 14 November and 14 December 2007, the last 31 days preceding the date of the agreement between MAPFRE and CAJA MADRID.

The detail on the final values arrived at through application of the valuation methods, for purposes of the exchange ratio and capital increase through non-monetary contribution is as follows:

	<u>Millions of euros</u>
100% assigned value of MAPFRE prior to capital increase	6,939
35.53% assigned value of MAPFRE-CAJA MADRID for purposes of the exchange ratio	1,225

Our work has been based on audited and/or un-audited information provided by the Management of the Companies. In the performance of our work we have assumed the integrity and accuracy of said information, as well as that it reflects the best estimations of Management of the Companies as to the prospects of their businesses from the operational and financial points of view.

Our work has been based on, among others, sources of public information. Contrasting said information with evidence external to the Companies has not been a part of our work, except that, to the extent possible, we have verified that the information presented is consistent with other data provided during the course of our work.

Finally, we should mention that our work is done independently and accordingly does not include any recommendation to the Management of the Companies, to the shareholders of the Companies or to third parties regarding the position that they should take with respect to the planned merger transaction or other transactions involving shares of the Companies.

4 Relevant aspects to consider

- 4.1 Implicit in all valuation work, in addition to objective factors, are other subjective factors that involve judgment and, accordingly, the “value” obtained only constitutes a reference point for the interested parties in carrying out the transaction, and therefore it is impossible to ensure that third parties are necessarily in agreement with its conclusions. Similarly, in the context of an open market, there can be different prices for a business due in particular to subjective factors such as the negotiation strength between the parties or different perceptions as to the future prospects of the business.
- 4.2 It should be taken into consideration that with work of this nature, the scope of our verifications with respect to the exchange equation involves an analysis of the relative value of the Companies and of the corresponding shares and accordingly does not constitute and should not be understood to be an opinion on value that refers to absolute values used to determine the mentioned exchange equation.
- 4.3 Regarding the dividend discounting methods that have been used, among others, by the Companies, these have been based on financial projections of the Companies prepared according to hypotheses determined by the Management of each of the Companies, which encompass their best estimation and judgment based on present circumstances and their expected development. Given uncertainties inherent in any information concerning the future, some of these hypotheses might not materialise exactly as they have been initially defined, and there might be unforeseen occurrences. In attention to such a circumstance, the

estimated future results and cash flows might not turn out exactly as they have been predicted, and as a result, the values obtained may be affected.

5 Conclusions

According to the work performed, with the exclusive purpose of complying with the provisions of Article 236 of the Restated Wording of the Companies Act, and subject to the relevant matters included in section 4 above, we find that:

- the exchange ratios are supported by valuation methods indicated in this report, which we believe are appropriate under the circumstances, and
- the equity contributed by MAPFRE – CAJA MADRID, the target company, is at least equal to the planned increase in capital of the acquiring company.

Our conclusion should be interpreted within the context of the scope of our verifications, inasmuch as it does not include any further undertakings than those regarding the description and reasonableness of the method used and the equitable manner and uniformity with which it has been applied.

This report has been prepared exclusively to comply with the provisions of Article 236 of the Restated Wording of the Companies Act, and therefore should not be used for any other purpose.

Antonio Márquez González
Managing Partner

6 February 2008