

STATEMENT OF ACTIVITIES 2005

CONTENTS

1. Audit Committee	3
2. Report on Activities	6
3. Subsequent events	15

1. AUDIT COMMITTEE

CORPORACIÓN MAPFRE has had an Audit Committee since 2000, and its powers and terms of reference are set out in the SISTEMA MAPFRE Code of Good Governance. This code provides an ample account of the institutional and business principles in force in the group of which CORPORACIÓN MAPFRE, S.A. is a part, as well as all the regulations of the governing bodies of the entities that form a part of the said group.

In compliance with Article 47 of the Financial System Reform Measures Act 44/2002 of 22 November, the company, by way of a resolution of the Board of Directors dated 12 March 2003, amended the make-up of its Committee to comply with the legal requirement that it should be presided 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. All members of the CORPORACION MAPFRE, S.A. Audit Committee are external directors. The Audit Committee is currently composed of the following members:

Name	Type of director
Mr. Manuel Jesús Lagares Calvo (Chairman)	Independent
Mr. Carlos Alvarez Jiménez (First Vice-Chairman)	In representation of shareholder interests
Mr. Francisco Ruiz Risueño (Second Vice-Chairman)	In representation of shareholder interests (independent at the parent company)
Mr. Luis Hernando de Larramendi Martínez	In representation of shareholder interests (independent at the parent company)
Mr. Antonio Miguel-Romero de Olano	In representation of shareholder interests (independent at the parent company)
Mr. Alfonso Rebuelta Badías	In representation of shareholder interests (independent at the parent company)
Mr. José Manuel González Porro (Member-Secretary)	In representation of shareholder interests

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

The Shareholders General Meeting held on 6 March 2004 approved the amendment of the company by-laws so that they would include the regulation of the Audit Committee, in the following terms:

Audit Committee

Article 23 bis

The Board of Directors shall, from amongst its members, appoint an Audit Committee which shall comprise a minimum of three and a maximum of seven members, the majority of whom shall be non-executive directors. The Chairman of the Committee shall be appointed from amongst the non-executive directors. The term of office shall be for a maximum of four years but he/she may be re-elected after a period of one year has elapsed from the time that he/she left office. The Secretary of the Board of Directors shall be the Secretary of the Committee.

The Committee shall have the following powers:

1. To verify that the Annual Accounts as well as the half-year and quarterly financial statements and other economic information that must be submitted to the regulatory or supervisory agencies are true, complete and sufficient; that they have been prepared in accordance with the applicable accounting rules and internal guidelines laid down by the General Secretariat of the Sistema MAPFRE; and that they are provided in a timely manner with the correct content.
2. To propose to the Board of Directors for approval by to the Shareholders General Meeting, the appointment of the company's External Auditor, and to receive information regarding any event or circumstance which may compromise its independence.
3. To supervise the activities of the Internal Auditing Service, for which purpose it shall have full access to their action plans, the results of their work and the monitoring of the recommendations and suggestions of the internal and external auditors.
4. To be informed of the financial reporting and the internal control processes of the company, and to formulate such observations or recommendations as it may deem necessary for the improvements to be made.
5. To inform the Shareholders General Meeting in relation to such questions as may arise regarding those matters within its powers.

Article 23 ter

The Audit Committee shall meet on an ordinary basis once every quarter, and as often as necessary on an extraordinary basis.

Meetings are called by the Secretary – or by the person acting as such – following an order by the Chairman, either at his own initiative or following a request by at least two members, who, in the event the meeting is not held within ten days, may call the meeting directly by way of notarial communication.

The meeting may be called by letter, electronic mail, fax or telegram at least seventy-two hours in advance.

A meeting shall be quorate when those in attendance, either in person or by proxy, constitute more than one half of the total members of the Committee and the Chairman or the Vice-Chairman is present, or the Chairman has given his express consent. The Committee shall approve resolutions by way of absolute majority of the members in attendance at the meeting and the person chairing the meeting shall have a casting vote.

In the event the Chairman and the Vice-Chairman are absent or ill, or these positions are vacant, the meeting shall be chaired by the eldest of those in attendance; in the event the Secretary is absent or ill, or the position is vacant, the functions of the secretary shall be performed by the youngest member of those in attendance.

Where it is advisable for reasons of urgency or efficiency in the opinion of the Chairman, the Committee may, provided that none of the members objects, take decisions with regard to specific proposals submitted for its deliberation by the Chairman without a formal meeting being held. In order to do this, the Secretary shall send – by post, e-mail, messenger, telegram, fax, or any other suitable means – the corresponding proposals and documents to the members of the Committee, who shall communicate their agreement or concerns by way of the same means within forty-eight hours of receipt of the said documents, and it shall be deemed that those proposals which have obtained the conformity of the majority of the members of the Committee are approved.

Minutes shall be drawn up relating to every meeting, which may be approved by the Committee, at the close of the meeting or at the following session, or by the Chairman of the meeting and a member of the Committee to which the said Committee delegates this power. The minutes shall be signed by the Secretary of the Committee or of the session, by the person chairing the meeting and, as the case may be, by the member of the Committee who has approved them by way of delegated powers.

The Board of Directors of the company shall be informed of the main issues dealt with and the main resolutions approved by the Committee.”

2. STATEMENT OF ACTIVITIES 2005

The CORPORACION MAPFRE Audit Committee has, during 2005, met as follows:

- 7 February
- 20 April
- 19 July
- 25 October
- 29 December

For a better understanding of the activities carried out during the 2005 financial year by the CORPORACION MAPFRE Audit Committee, they have been brought together in four general sections as follows:

2.1 Economic-financial information

2.2 External auditing

2.3 Supervision by the Internal Auditing Unit

2.4 Risks Management, Internal Control, International Financial Reporting Standards, and Other matters dealt with by the Audit Committee

2.1. Economic Financial Information

The SISTEMA MAPFRE Code of Good Governance states that the Board of Directors of CORPORACION MAPFRE shall take such steps as may be necessary to ensure that the half-yearly, quarterly, and any other financial information which prudence may require to be made available to the markets is prepared in accordance with the same principles, criteria and professional practice as those in accordance with which the annual accounts are prepared, and that they should be as reliable as the said annual accounts. In this effect, the said information shall be reviewed by the Audit Committee of CORPORACION MAPFRE.

In compliance with these principles, the CORPORACION MAPFRE Audit Committee has, in the year 2005, verified the following information:

- Management Report and 2004 Individual and Consolidated Annual Accounts of CORPORACION MAPFRE and its subsidiary companies. (*Meeting Date: 07-02*).

- The information submitted quarterly by CORPORACION MAPFRE to the Spanish Securities Market Commission (CNMV). (*Meeting date: 07.02; 20.04; 19.07 and 25.10*).

This financial and economic information is reviewed in advance by the Internal Auditing Directorate-General which then issues a report highlighting the fact that the Intermediate Financial Statements of the Corporation have been drawn up applying the same standards as for the Annual Financial Statements, and that these are reasonable, objective, and verifiable, and the Principle of Prudence shall always prevail over any other consideration. Furthermore, economic transactions between companies of the same Group are examined, should there be any.

All Quarterly, Half-Yearly and Annual Reports, as well as 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.

As with the Quarterly, Half-Yearly and Annual Reports that are sent to the Spanish Securities Market Commission, the presentations of the Company for Investors and Analysts, the Corporate Governance Report, the Audit Committee Report, the Risk Evaluation Agencies Reports, Relevant Facts and other notices given to the Spanish Securities Market Commission (CNMV) are available on the Corporate Website: www.mapfre.com.

2.2 External Auditing

The relationship between the Board of Directors of CORPORACION MAPFRE and the Company's External Auditors shall be channelled through the Audit Committee.

The External Auditor for CORPORACION MAPFRE and its subsidiaries is the firm Ernst & Young, except for the subsidiaries in El Salvador which use the firm KPMG.

To this effect, the Audit Committee of CORPORACION MAPFRE:

- Has approved the Budget of 3,037 thousand euros for the External Auditing of the Individual and Consolidated Annual Accounts for the fiscal year 2005, 3,017 of which correspond to the main auditor. Also, the main auditor has invoiced 410 thousand euros for services related to auditing the annual accounts and 450 thousand euros for other additional services, both of which latter amounts are not deemed to compromise the auditor's independence (*Meeting date: 25.10*).

- On the other hand, and with the aim of ensuring the External Auditor's independence, the Audit Committee supervises the statement of fees paid to the firm of auditors and its total revenues, which percentage, in accordance with the MAPFRE Code of good Governance, must not exceed 5%. For the 2005 financial year, this percentage was 0.02%.
- Has received, examined, and requested additional information from the firm Ernst & Young relating to the Preliminary Reports on the 2005 Annual Accounts of CORPORACION MAPFRE and its subsidiaries. Due to the special nature of the 2005 financial year, Ernst & Young issued Preliminary Reports on the Annual Accounts with criteria from the Insurance Companies Accounting Plan (PCEA) and criteria from the International Financial Reporting Standards (IFRS). (*Meeting date: 29.12*).

These Preliminary Reports are issued by the auditors for all subsidiary companies of CORPORACION MAPFRE regarding 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, could give rise to reservations in the External Auditor's Report.

- Has received and analysed the Preliminary Reports issued by Deloitte on the Balance Sheet and the Profit and Loss Account as at 30 September 2005 for the Caja Madrid Group Companies, Banco de Servicios Financieros Caja Madrid-Mapfre, S.A., Caja Madrid Bolsa, S.V. S.A., Gesmadrid SGIIC, S.A. and Caja Madrid Pensiones, S.A., Entidad Gestora de Fondos de Pensiones, companies in which Corporación MAPFRE has a substantial shareholding. (*Meeting date: 29.12*).
- The External Auditor attends meetings of the Audit Committee for those matters related to the Auditing of the Annual Accounts and Preliminary Reports on the Auditing of the Annual Accounts. (*Meeting date: 29.12*).
- Has prepared a quarterly follow-up of the General Guidelines to be followed relating to the External Auditor approved by the CORPORACION MAPFRE Audit Committee at its meeting held on 19 July 2004 which, in brief, are as follows:

Both in the various Annual Financial Statements Reports and the Audit Committee of CORPORACION MAPFRE, detailed information shall be provided with regard to fees invoiced by the auditors, distinguishing between:

- ✓ Services corresponding to the auditing of Annual Accounts.
- ✓ Services relating to the auditing of Annual Accounts.
- ✓ Other services.

For the purposes of the above, services corresponding to the auditing of the Annual Financial Statements shall be understood to mean all recurring services which have the aim of providing third parties with reliability regarding the Annual Financial Statements drawn up by the Company.

The services relating to the auditing, in contrast to the above, are characterized by being one-off (non-recurring) and take the form of a certificate, a specific opinion, or a report concerning an investigation.

The heading of “Other Services” includes all consulting services that are not expressly forbidden.

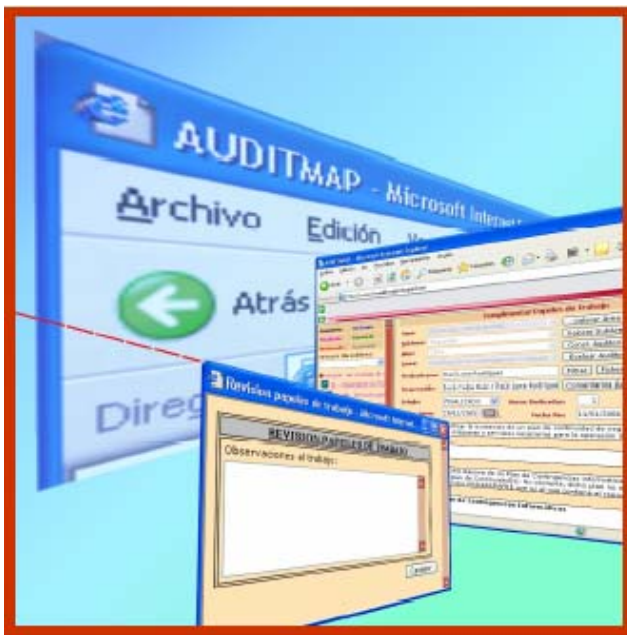
Any doubt as to how to classify a service requested from the External Auditor within one of the three categories listed above must be submitted to the Internal Auditing Directorate-General. (*Meeting date: 07.02; 20.04; 19.07 and 25.10*).

- As part of the auditing of the Annual Financial Statements corresponding to financial year 2003, the External Auditors have reviewed and evaluated the Internal Control System and have identified areas which need improvement in their corresponding recommendations. The Audit Committee of CORPORACIÓN MAPFRE has examined and evaluated the Internal Control reports of all the subsidiary companies, in Spain as well as abroad, and has been informed of the implementation of the recommendations of the auditor via the Internal Auditing Directorate-General. (*Meeting date: 19.07*).
- The Audit Committee of CORPORACIÓN MAPFRE has received and analysed the Survey of Satisfaction in regard to the services provided by the External Auditor. This is the third consecutive year where this survey has been carried out amongst persons from different companies who had a complete audit of their Annual Financial Statements in 2003. The data analysed was the following: Global analysis and developments in services provided and Plans of Action for improving the quality of service. (*Meeting date: 19.07*).
- 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. As an integral part

of the annual documentation relating to the 2005 financial year, MAPFRE will publish a Social Responsibility Report. This report will include information about both SISTEMA MAPFRE as a whole and CORPORACION MAPFRE. For the purpose of verifying the information and to contribute towards the transparency principle, Ernst & Young have been commissioned to verify the Social Responsibility Report. (*Meeting date: 29.12*).

2.3 Supervision by the Internal Audit Unit



The Internal Auditing Unit of SISTEMA MAPFRE and CORPORACION MAPFRE is composed of one General Directorate and eight Auditing Departments in Spain and ten Internal Audit Units in the main Latin-American and Asian countries.

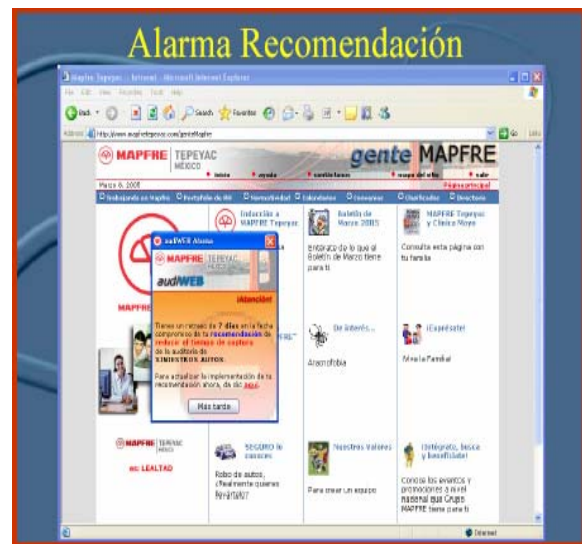
The Internal Auditing Unit has its own integrated and common computer program for all of the internal auditors, called Auditm@p, which, is also used to provide on-line information to the Audit Committee. As from June 2004, the Auditm@p program has been provided with a special module including relevant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

In connection with the Supervision of the Internal Auditing Unit, the CORPORACION MAPFRE Audit Committee:

- Has authorized the Annual Internal Audit Plan for fiscal year 2005 for CORPORACION MAPFRE and its subsidiary companies which includes the 2004 Annual Report, the 2005 Audit Plan, the structure and budget for the Unit, and a training plan for the internal auditors. (*Meeting date: 07.02*).
- Has received, reviewed, and approved the Activity Reports relating to the Internal Audit Unit that are issued quarterly by the Internal Auditing Directorate General, which place a special emphasis on relevant matters that have occurred during the quarter relating to the internal audit reports and internal control, as well as compliance with targets in the Annual

Internal Audit Plan, follow-up of implementation of recommendations proposed by the internal auditors, collaborations with the External Auditor and with other sections or departments of the companies in the Group, and the follow-up of the budget for the Unit. (Meeting date: 20.04; 19.07; 25.10 and 29.12).

- Has approved the Internal Auditing Targets and Strategies for the period 2006 – 2008. (Meeting date: 29.12).
- Has been informed about the change in the regulations in Brazil under Circulars 249 dated 20 February 2004 and 285 dated 21 March 2005 by the Insurance Department of Brazil (SUSEP), which, *inter alia*, requires Insurance Companies in this country to implement an Internal Control System subject to verification by an Internal Auditing Unit.
- Has been provided with information about the internal audits undertaken at the Bank Distribution branches (ODB) by the Caja Madrid Auditing Unit. These offices which are dedicated to Distributing the Banking products of the Grupo Caja Madrid form part of the overall agreements between Grupo Caja Madrid and MAPFRE. (Meeting date: 07.02; 20.04; 19.07 and 25.10).
- Has approved the Second Plan for the Internal Auditing of Systems for 2005. This Plan was prepared by the Internal Auditing Directorate General and was outsourced to Price Waterhouse Coopers and KPMG. (Meeting date: 07.02).
- Has been informed about the Audiweb Project created by the MAPFRE TEPEYAC Auditing Unit in Mexico. This Project will be extended and implemented in 2006 in the remainder of SISTEMA MAPFRE companies. Audiweb is a computer program which has the main purpose of facilitating compliance with the internal auditing recommendations made by the auditors. In short, the intention is to improve the quality of the service rendered by the Internal Auditing Department to its internal clients. (Meeting date: 20.04).



2.4 Risk Management, Internal Control, International Financial Reporting Standards (IFRS), and other matters dealt with by the Audit Committee.

2.4.1. Risk Management.

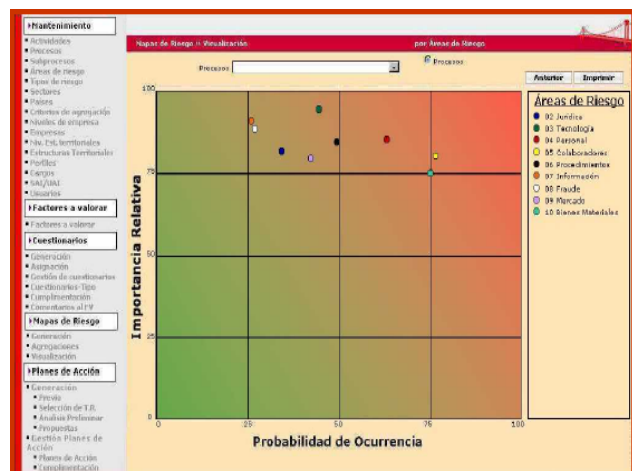
- In 2002, the Audit Committee of CORPORACIÓN MAPFRE requested the Internal Auditing Unit to commence the necessary works to set up a Formal Risk Evaluation System and to prepare the corresponding Risk Maps. In the Reports of the CORPORACION MAPFRE Audit Committee relating to 2003 and 2004 information was provided on the Operative Risk Maps for MAPFRE VIDA, MAPFRE SEGUROS GENERALES, MAPFRE BRASIL, MAPFRE SEGUROS GENERALES DE COLUMBIA, MAPFRE LA SEGURIDAD, in Venezuela, MAPFRE PRAICO in Puerto Rico, and MAPFRE USA.



During the year 2005, the Risk Maps for MAPFRE TEPEYAC, in Mexico, MAPFRE PERÚ Y MAPFRE PERÚ VIDA, MAPFRE CHILE and MAPFRE LA CENTROAMERICANA, in El Salvador, were finalised.

For this purpose, version three of the internally-developed computer program Riskm@p was used, which includes a new module called Action Plan, in order to execute and control action taken to mitigate operating risks. (Meeting date: 07.02 and 29.12).

- The Audit Committee of CORPORACIÓN MAPFRE authorized a Risk Training Seminar to be held which took place in May at Cuernavaca, Mexico. It was for internal auditors of the Audit Units for MAPFRE in Chile, Peru, Venezuela, Brazil and Mexico. (Meeting date: 07.02).



- The CORPORACION MAPFRE Audit Committee gave a favourable report on the CORPORACION MAPFRE Risks Report for the year 2004. (*Meeting date: 07.02*).
- The CORPORACION MAPFRE Audit Committee was informed about the appointment of a Risks Manager for SISTEMA MAPFRE. Amongst the main duties of the Risks Manager, it is noteworthy to highlight the preparation of consolidated risks reports for CORPORACION MAPFRE, and the preparation and follow-up of advanced capital models for CORPORACION MAPFRE and its main insurance and re-insurance subsidiaries, in accordance with the Solvency II rules. (*Meeting date: 07.02*).
- The Audit Committee of CORPORACION MAPFRE was informed by the Risks Manager about the present situation and future plans in the Risks Department.

Also, the Audit General Manager informed the Audit Committee about the proposed calendar for the transfer of the operating risks from the Audit Unit to the Risks Department. (*Meeting date: 29.12*).

- It has been informed by the Risks Manager of the work done by the Re-Insurance Unit to adapt itself to the Risk requirements laid down by the United Kingdom Financial Services Authority (FSA). (*Meeting date: 29.12*).
- Also, the Committee has examined and reviewed in detail the CORPORACION MAPFRE Capital Models adjusted to Risks for 2004 which are required by the *Standard & Poors* and *A. M. Best* Credit Rating Agencies. (*Meeting date: 19.07*).
- As the continuous improvement of Internal Control is a major concern for the Board of Directors of CORPORACION MAPFRE and its Audit Committee, the latter has decided to pay special attention to the document entitled “*Enterprise Risk Management – Integrated Framework*”, known as the COSO II (The Committee of Sponsoring Organizations of the Treadway Commission), which report precisely defines the management of business risks and Internal Control. (*Meeting date: 25.10*).

2.4.2. International Financial Reporting Standards

- The Audit Committee of CORPORACION MAPFRE, with the aim of protecting the quality of financial information, has periodically followed up the whole implementation process relating to the International Financial Reporting Standards at CORPORACION MAPFRE, and it has paid attention both to the accounting and the non-accounting effects that the new rules might bring about at CORPORACION MAPFRE.

2.4.3. Other matters deal with by the Audit Committee

- Statement of Activities of the Audit Committee of CORPORACION MAPFRE relating to fiscal year 2004. (*Meeting date: 07.02*).
- Matters dealt with and resolutions passed by the Audit Committees of the subsidiary companies of CORPORACION MAPFRE in Peru, Puerto Rico, El Salvador, Columbia, Mexico and Brazil. (*Meeting date: 19.07 and 25.10*).

3. SUBSEQUENT EVENTS

- On 6 February 2006, the Audit Committee of CORPORACION MAPFRE examined and reviewed the 2005 Annual Accounts (Individual and Consolidated), the Individual and Consolidated Management Report of CORPORACION MAPFRE, and the Corporate Social Responsibility Report, and it gave a favourable report to the Board of Directors of CORPORACION MAPFRE concerning the Economic Information for fiscal year 2005.
- The following was approved at the same meeting:
 - ✓ The 2006 Internal Auditing Plan which includes the 2005 Annual Report, the Internal Auditing Plan, and the 2006 Budget for the Auditing Unit.

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