

III. INTERIM MANAGEMENT REPORT

OPERATING REVENUES AND FUNDS UNDER MANAGEMENT

Direct insurance and accepted reinsurance premiums written by the subsidiaries of the Group amounted to €5,422.1 million in the first quarter of 2011, a 3.9% increase. Consolidated premiums totalled €5,119.1 million, a rise of 3.7%. Total operating revenues reached €6,199.1 million, including €69.7 million of new gross contributions to pension funds. The breakdown of these revenues by business line is shown in the following table:

	3M 2011	3M 2010	% 11/10
Direct Insurance Spain	3,013.9	3,306.4	-8.8%
- Gross written and accepted premiums	2,480.3	2,641.3	-6.1%
- Income from investments	417.5	499.8	-16.5%
- Non-insurance companies' revenues and other	116.1	165.3	-29.8%
International Direct Insurance	2,242.6	1,761.6	27.3%
- Gross written and accepted premiums	1,872.9	1,601.6	16.9%
- Income from investments	173.4	144.4	20.1%
- Non-insurance companies' revenues and other	196.3	15.6	---
Global Businesses	1,220.1	1,145.0	6.6%
- Gross written and accepted premiums	1,068.9	975.8	9.5%
- Income from investments	108.3	131.0	-17.3%
- Non-insurance companies' revenues and other	42.9	38.2	12.3%
Parent company	38.5	38.8	-0.8%
TOTAL REVENUES	6,515.1	6,251.8	4.2%
Consolidation adjustments and other companies	-385.7	-359.4	7.3%
TOTAL CONSOLIDATED REVENUES	6,129.4	5,892.4	4.0%
Gross contributions to pension funds	69.7	68.3	2.0%
TOTAL REVENUES FROM OPERATIONS	6,199.1	5,960.7	4.0%

Figures in million Euros

In the first quarter of 2011, the total consolidated revenues exceeded the figures for the previous year, as a result of the sustained growth of the international business, larger recurring financial revenues and the gain recognised upon the granting of the authorisation to proceed to the establishment of the joint venture with BANCO DO BRASIL.

The following table shows the evolution of funds under management in Life assurance and Savings products:

	3M 2011	3M 2010	% 11/10
Life assurance technical reserves	20,082.8	18,444.0	8.9%
Pension funds	5,167.6	3,787.4	36.4%
Mutual funds and managed portfolios	2,636.8	2,657.8	-0.8%
TOTAL	27,887.2	24,889.2	12.0%

Figures in million Euros

The variation in funds under management is mainly due to the consolidation of the insurance operations of CATALUNYACAIXA and the development of the international Life Assurance business.

Excluding the impact of the adjustments arising from the change in the market value of the assets backing Life assurance technical reserves, funds under management would have increased 17.3%.

Direct insurance in Spain

Direct insurance and accepted reinsurance premiums written by the Group's direct insurance companies operating in Spain reached €2,480.3 million, to which €69.7 million of new gross contributions to pension funds must be added, with the following breakdown by company:

	3M 2011	3M 2010	% 11/10
MAPFRE FAMILIAR	1,470.3	1,474.9	-0.3%
MAPFRE EMPRESAS	213.0	224.0	-4.9%
NON-LIFE INSURANCE IN SPAIN	1,683.3	1,698.9	-0.9%
LIFE SAVINGS	652.9	809.6	-19.4%
Agents channel	282.3	277.3	1.8%
Bank channel - CAJA MADRID	127.2	337.4	-62.3%
Bank channel - CATALUNYACAIXA	154.5	---	---
Bank channel - Other ⁽¹⁾	88.9	194.9	-54.4%
LIFE PROTECTION	144.1	132.8	8.5%
Agents channel	66.5	72.4	-8.2%
Bank channel - CAJA MADRID	32.4	36.6	-11.5%
Bank channel - CATALUNYACAIXA	17.8	---	---
Bank channel - Other ⁽¹⁾	27.4	23.8	15.1%
LIFE ASSURANCE IN SPAIN	797.0	942.4	-15.4%
TOTAL PREMIUMS	2,480.3	2,641.3	-6.1%
Gross contributions to pension funds	69.7	68.3	2.0%

Figures in million Euros

(1) Includes BANKINTER VIDA, CCM VIDA Y PENSIONES and UNIÓN DUERO VIDA

The 0.3% decrease in premiums at MAPFRE FAMILIAR reflects:

- a 0.2% increase in Motor insurance, versus a 2.2% contraction in the sector. At the end of the period, MAPFRE insured 5,873,603 vehicles in Spain (5,856,075 as at 31.12.2010), equivalent to a net increase of 17,528 units in the quarter;
- the 1% decline in Property insurance, mainly as a result of the transfer to MAPFRE EMPRESAS of the Trade Disruption insurance portfolio. Home insurance continues to perform very favourably, with an 8.1% growth;
- a 0.6% decrease in Health, Accident and Burial, mainly due to lower premiums in the group Accident business;
- the launch of VERTI.

The decrease in premiums at MAPFRE EMPRESAS reflects a contraction in the Third Party Liability and Engineering lines due to the low level of activity in the construction sector, partly offset by the transfer of the Trade Disruption insurance portfolio from MAPFRE FAMILIAR undertaken in the year.

The contraction in issuance at MAPFRE VIDA reflects a comparatively lower premiums volume due to the differences in the schedule of sales campaigns in the bancassurance channel, which has been partly offset by the consolidation of the insurance operations of CATALUNYACAIXA.

The following table shows the breakdown by company of premiums written through the agents and bank channels:

	AGENTS AND OTHER			BANK CHANNEL			TOTAL		
	3M 2011	3M 2010	Var. %	3M 2011	3M 2010	Var. %	3M 2011	3M 2010	Var. %
MAPFRE VIDA	348.8	349.8	-0.3%	448.2	592.6	-24.4%	797.0	942.4	-15.4%
MAPFRE FAMILIAR	1,395.5	1,408.3	-0.9%	74.8	66.6	12.3%	1,470.3	1,474.9	-0.3%
MAPFRE EMPRESAS	209.9	220.8	-4.9%	3.1	3.2	-3.1%	213.0	224.0	-4.9%
NON-LIFE	1,605.4	1,629.1	-1.5%	77.9	69.8	11.6%	1,683.3	1,698.9	-0.9%
TOTAL	1,954.2	1,978.9	-1.2%	526.1	662.4	-20.6%	2,480.3	2,641.3	-6.1%

Figures in million Euros

Other revenues from the companies operating primarily in Spain amounted to €116.1 million, a decrease of 29.8% over the previous year. Their breakdown by company is shown in the following table:

	3M 2011	3M 2010	% 11/10
MAPFRE FAMILIAR	75.5	86.3	-12.5%
MAPFRE INVERSIÓN and subsidiaries	21.3	22.6	-5.8%
MAPFRE INMUEBLES	0.6	3.6	-83.3%
MAPFRE QUAVITAE	0.1	37.2	-99.7%
Other entities	18.6	15.6	19.2%
TOTAL	116.1	165.3	-29.8%

Figures in million Euros

The aforementioned decrease in revenues reflects the reclassification of the assistance business of MAPFRE QUAVITAE as a discontinued operation, pursuant to the agreement reached with the SAR Group for the sale thereof. Excluding this, the other revenues from the companies operating primarily in Spain would have recorded a 9.4% decrease over the previous year.

The subsidiaries that operate in stockbroking, as well as mutual and pension fund management, which are grouped under MAPFRE INVERSIÓN, obtained revenues of €21.3 million, a 5.8% decrease versus 2010. The volume of assets in mutual funds and managed portfolios stood at €2,636.8 million, equivalent to a 0.8% decrease. At the end of the year, assets managed in pension funds amounted to €1,561.1 million, a decrease of 4.0%.

International direct insurance

Premiums written and accepted by the Group's international direct insurance companies evolved as follows:

	3M 2011	3M 2010	% 11/10
Life	299.9	276.0	8.7%
MAPFRE AMÉRICA	286.6	260.5	10.0%
MAPFRE INTERNACIONAL	13.3	15.4	-13.6%
Non-life	1,573.0	1,325.6	18.7%
MAPFRE AMÉRICA	1,096.5	883.8	24.1%
MAPFRE INTERNACIONAL	476.6	441.8	7.9%
TOTAL PREMIUMS	1,872.9	1,601.6	16.9%

Figures in million Euros

The premiums development at MAPFRE AMÉRICA reflects:

- the growth in the Motor, Property and Personal Accidents lines, as a result of the implementation of several sales initiatives and distribution agreements;
- the expansion of the Industrial Risks line.

The following table shows the breakdown of the growth rates of Direct Insurance premiums achieved in the various countries:

COUNTRY	PREMIUMS (LIFE AND NON-LIFE)			
	3M 2011	3M 2010	% 11/10	Local Currency % 11/10
BRAZIL	584.4	468.6	24.7%	15.0%
MEXICO	148.1	114.7	29.1%	25.0%
VENEZUELA	146.5	121.7	20.4%	22.3%
COLOMBIA	113.4	83.2	36.3%	33.5%
ARGENTINA	105.3	110.7	-4.9%	0.8%
PUERTO RICO	70.2	67.6	3.8%	5.7%
CHILE	59.3	49.1	20.8%	8.4%
PERU	56.6	40.7	39.1%	36.6%
CENTRAL AMERICA	51.9	44.5	16.6%	---
OTHER COUNTRIES ⁽¹⁾	47.4	43.6	8.7%	---
MAPFRE AMÉRICA	1,383.1	1,144.4	20.9%	

Figures in million Euros

(1) Includes Ecuador, Paraguay, the Dominican Republic and Uruguay

The subsidiaries of MAPFRE INTERNACIONAL obtained total premiums of €489.9 million, with a 7.1% increase due to:

- a larger issuance in the USA, as a result of rate rises;
- the increase in business volumes in Turkey due to the economic growth, the implementation of sales campaigns and rate rises;
- the depreciation of the US Dollar and the Turkish Lira.

The breakdown of the growth rates of Direct Insurance premiums achieved in the various countries is shown in the following table.

COUNTRY	PREMIUMS (LIFE AND NON-LIFE)			Local currency
	3M 2011	3M 2010	% 11/10	% 11/10
USA	363.3	338.6	7.3%	9.1%
TURKEY	77.0	67.5	14.0%	20.7%
PORTUGAL	40.8	42.3	-3.5%	---
PHILIPPINES	8.8	8.8	0.2%	-2.9%
MAPFRE INTERNACIONAL	489.9	457.2	7.1%	

Figures in million Euros

Global businesses

Premiums written and accepted by the companies included in the Global Business Division performed as follows:

	3M 2011	3M 2010	% 11/10
MAPFRE GLOBAL RISKS	263.7	251.3	4.9%
MAPFRE RE	656.4	615.2	6.7%
MAPFRE ASISTENCIA	148.7	109.3	36.1%
TOTAL PREMIUMS	1,068.9	975.8	9.5%

Figures in million Euros

MAPFRE GLOBAL RISKS achieved a premium volume of €263.7 million, a 4.9% increase. This performance reflects the strong growth of the Fire and Property lines in the international business, especially in Latin America, which has compensated for the lower issuance in Credit and Surety as a result of the reduction in exposures.

In the accepted reinsurance business, MAPFRE RE and its subsidiaries recorded consolidated premiums of €656.4 million (€615.2 million in the first quarter of 2010). The 6.7% increase reflects:

- the good development of the renewal campaign, especially in the business from Europe and Latin America, as well as larger cessions from the Group's international subsidiaries;
- the Euro's strength versus other currencies (at constant exchange rates, growth would have amounted to 10.9%).

The total revenues (premiums and income from the sale of services) at MAPFRE ASISTENCIA and its subsidiaries reached €186.0 million, a 30.7% increase over the same period of the previous year. Of these, €148.7 million corresponded to written and accepted premiums, with a 36.1% increase, and €37.3 million to revenues from services, a 13.0% rise.

MANAGEMENT RATIOS

In Non-life lines, the consolidated combined ratio was 96.6%. The development of the main management ratios is shown in the following table:

COMPANY	RATIOS					
	EXPENSE RATIO ⁽¹⁾		LOSS RATIO ⁽²⁾		COMBINED RATIO ⁽³⁾	
	3M 2011	3M 2010	3M 2011	3M 2010	3M 2011	3M 2010
MAPFRE S.A. consolidated	25.4%	23.6%	71.2%	73.9%	96.6%	97.5%
Direct Insurance Spain	20.4%	17.7%	66.9%	73.2%	87.2%	90.9%
MAPFRE FAMILIAR	19.7%	16.5%	68.9%	74.6%	88.6%	91.1%
MAPFRE EMPRESAS	25.6%	26.0%	51.4%	63.8%	77.0%	89.8%
MAPFRE VIDA ⁽⁴⁾	0.99%	1.09%				
International Direct Insurance	31.9%	31.9%	71.3%	70.1%	103.2%	102.0%
MAPFRE AMÉRICA	34.4%	34.4%	66.1%	66.8%	100.5%	101.2%
MAPFRE INTERNACIONAL	25.6%	26.2%	84.4%	77.6%	110.0%	103.8%
Global Businesses	23.8%	22.4%	77.9%	82.0%	101.7%	104.3%
MAPFRE GLOBAL RISKS	23.5%	17.6%	61.7%	124.1%	85.2%	141.7%
MAPFRE RE	22.9%	22.1%	83.0%	79.3%	105.9%	101.4%
MAPFRE ASISTENCIA	26.8%	26.7%	64.9%	67.4%	91.7%	94.1%

(1) (Operating expenses, net of reinsurance + profit sharing and returns – other technical income + other technical expenses) / Net premiums earned. Figures for the Non-life business.

(2) (Net claims incurred + variation of other technical reserves) / Net premiums earned. Figures for the Non-life business.

(3) Combined ratio = Expense ratio + Loss ratio. Figures for the Non-life business.

(4) Net operating expenses / average third party funds under management. Annualised figures.

RESULTS

The net result attributable to the parent company (after minority interests) amounted to €310.1 million, a 13.5% increase. The following table shows the sources and breakdown of results:

	3M 2011	3M 2010	% Var.
NON-LIFE INSURANCE AND REINSURANCE			
Gross written and accepted premiums	3,937.4	3,632.6	8.4%
Premiums earned, net of ceded and retroceded reinsurance	2,938.2	2,648.2	11.0%
Net claims incurred and variation in other technical provisions	-2,091.1	-1,956.9	6.9%
Operating expenses, net of reinsurance	-730.3	-620.3	17.7%
Other technical income and expenses	-16.1	-5.8	177.6%
Technical Result	100.7	65.2	54.4%
Net fin'l. income and other non-technical income and expenses	193.5	275.2	-29.7%
Result of Non-life business	294.2	340.4	-13.6%
LIFE ASSURANCE AND REINSURANCE			
Gross written and accepted premiums	1,181.7	1,302.7	-9.3%
Premiums earned, net of ceded and retroceded reinsurance	1,076.6	1,186.4	-9.3%
Net claims incurred and variation in other technical reserves	-1,019.8	-1,154.4	-11.7%
Operating expenses, net of reinsurance	-168.9	-154.4	9.4%
Other technical income and expenses	182.7	0.1	---
Technical Result	70.6	-122.3	---
Net fin'l income and other non-technical income and expenses	188.9	245.5	-23.1%
Unrealised gains and losses in Unit-Linked products	23.8	-6.5	---
Result of Life business	283.3	116.7	142.8%
OTHER BUSINESS ACTIVITIES			
Operating revenues	108.3	152.9	-29.2%
Operating expenses	-111.2	-151.2	-26.5%
Other revenues and expenses	-63.0	-34.6	---
Results from other business activities	-65.9	-32.9	---
Result on restatement of financial accounts	-5.0	-3.1	61.3%
Result before tax and minority interests	506.6	421.1	20.3%
Taxes	-155.5	-116.4	33.6%
Result after tax	351.1	304.7	15.2%
Result after tax from discontinued operations	-1.6	-0.2	---
Result for the year	349.5	304.5	14.8%
Result attributable to minority shareholders	-39.4	-31.4	25.5%
Result attributable to the controlling Company	310.1	273.1	13.5%

Figures in million Euros

The result attributable to the parent company includes in both years a series of extraordinary items. Excluding these, the result would have grown 2.2%.

The contribution of the main Units and Companies to the consolidated results is shown in the following table:

	Net Result	Minority interests	Contribution to consolidated result 3M 2011	Contribution to consolidated result 3M 2010
Direct Insurance Spain	204.7		204.7	230.6
MAPFRE VIDA	39.5		39.5	39.3
MAPFRE FAMILIAR	129.6		129.6	161.2
MAPFRE EMPRESAS	35.6		35.6	30.1
Internacional Direct Insurance	151.6		134.7	53.0
MAPFRE AMERICA	149.2	-16.6	132.6	32.5
MAPFRE INTERNACIONAL	2.4	-0.3	2.1	20.5
Global Businesses	18.9		18.3	20.5
MAPFRE GLOBAL RISKS	6.7		6.7	-2.2
MAPFRE RE	7.4	-0.6	6.8	19.2
MAPFRE ASISTENCIA	4.8		4.8	3.5
Other activities	-3.5		-4.0	-15.6
MAPFRE INMUEBLES	-1.6		-1.6	-3.6
MAPFRE QUAVITAE	-2.0	0.9	-1.1	0.2
BANCO DE S.F. CAJA MADRID - MAPFRE			-1.3	-12.2
Other companies and consolidation adjustments			-43.6	-15.4
MAPFRE S.A.			310.1	273.1

Figures in million Euros

BALANCE SHEET

The following table shows the consolidated balance sheet:

	31.3.11	31.12.10	31.3.10
ASSETS			
Goodwill	2,203.1	2,258.4	1,706.4
Fixed assets	383.8	399.3	435.1
Cash & equivalents	983.4	1,497.4	1,196.5
Investments & real estate	33,898.8	33,707.2	31,849.3
Participation of reinsurance in technical reserves	2,998.7	3,092.6	3,056.0
Other assets	8,635.1	7,717.4	7,622.7
TOTAL ASSETS	49,102.9	48,672.3	45,866.0
LIABILITIES			
Shareholders' Equity	6,435.9	6,541.9	6,365.8
Minority interests	1,249.7	1,253.9	990.3
Financial & subordinated debt	2,036.1	2,122.1	2,083.6
Technical reserves	33,734.9	33,461.9	31,697.9
- Life assurance reserves ⁽¹⁾	19,297.6	19,649.8	17,792.1
- Other technical reserves	14,437.3	13,812.1	13,905.8
Reserves for risks and expenses	696.6	713.2	539.4
Other liabilities	4,949.7	4,579.3	4,189.0
TOTAL LIABILITIES	49,102.9	48,672.3	45,866.0

Figures in million Euros

1) Includes unit-linked reserves

Total assets under management, including mutual and pension funds, amounted to €56,907.2 million (€52,311.2 million at the end of the previous year), an 8.8% increase.

SHAREHOLDERS' EQUITY AND RETURNS

The net consolidated equity stood at €7,685.6 million, compared to €7,356.1 million in the first quarter of 2010. Of said amount, €1,249.7 million corresponded to minority interests in subsidiaries. Consolidated shareholders' equity per share amounted to €2.14 at the end of the first quarter of 2011 (€2.18 as at 31.3.2010).

The variation in net equity during the year is shown in the following table:

	31.3.11	31.3.10
BALANCE AS AT PRIOR YEAR END	7,795.8	7,093.8
Additions and deductions accounted for directly in equity		
Investments available for sale	-130.0	188.9
Translation adjustments	-198.5	134.5
Shadow accounting	81.3	-148.2
TOTAL	-247.2	175.2
Result for the period	349.5	304.5
Distribution of previous year's result	-241.0	-236.5
Interim dividend for the year	0.0	0.0
Other items	28.5	19.1
BALANCE AS AT PERIOD END	7,685.6	7,356.1

Figures in million Euros

Equity shows an increase of €110.2 million since 31.12.2010, which reflects:

- the negative impact of the volatility in the financial markets on the value of the investments, partly offset by the application of shadow accounting;
- negative translation differences, mainly as a result of the depreciation of the US Dollar and most of the Latin American currencies;
- the dividend approved by the Annual General Meeting;
- the result for the quarter.

ACQUISITIONS, PROJECTS AND DISPOSALS

Agreement with BANCO DO BRASIL

In the first quarter of the year, the Brazilian supervisory authorities have granted the approval for the execution of the last stage of the establishment of the joint venture with BANCO DO BRASIL.

Agreement with CAJA MADRID CIBELES

On 29th March MAPFRE and CAJA MADRID announced the terms of the agreement for the acquisition by the savings bank of the 48.97% stake that MAPFRE holds in BANCO DE SERVICIOS FINANCIEROS CAJA MADRID-MAPFRE, and the acquisition by MAPFRE of the 12.5% shareholding held by the savings bank in MAPFRE INTERNACIONAL.

MAPFRE will pay CAJA MADRID €188.6 million, which is the difference between the market value of the shareholdings to be transferred, as calculated by both parties.

The agreement maintains the strategic alliance that both groups signed in 1998, thus continuing the cooperation of their respective distribution networks.

SCRIP DIVIDEND PLAN

MAPFRE's Board of Directors has agreed to give its shareholders the possibility to reinvest the next final dividend in new shares of the company, according to the following terms:

- Optional nature: shareholders will receive their dividends in cash and may choose to participate in the scrip dividend plan if they so wish.
- Payment date: 22nd June.
- The issuance price of the new shares shall be equivalent to the arithmetical average of the average weighted prices of MAPFRE S.A.'s shares during the stock market sessions of 23rd, 24th and 25th May 2011, applying a 5% reduction and rounded to the nearest thousandth of Euro.

- Shareholders at the stock exchange closing on 21st June who have not disposed of their pre-emptive rights will be eligible.

HUMAN RESOURCES

The number of employees at the end of the first quarter of the year and its breakdown by line of business is shown in the following table:

	3M 2011	3M 2010	Var.
Insurance companies	26,117	25,518	2.3%
Other businesses	10,684	10,486	1.9%
TOTAL	36,801	36,004	2.2%

At the end of the first quarter of 2011 there were 16,505 employees in Spain and 20,296 abroad (16,906 and 19,098, respectively, as at 31.3.2010).